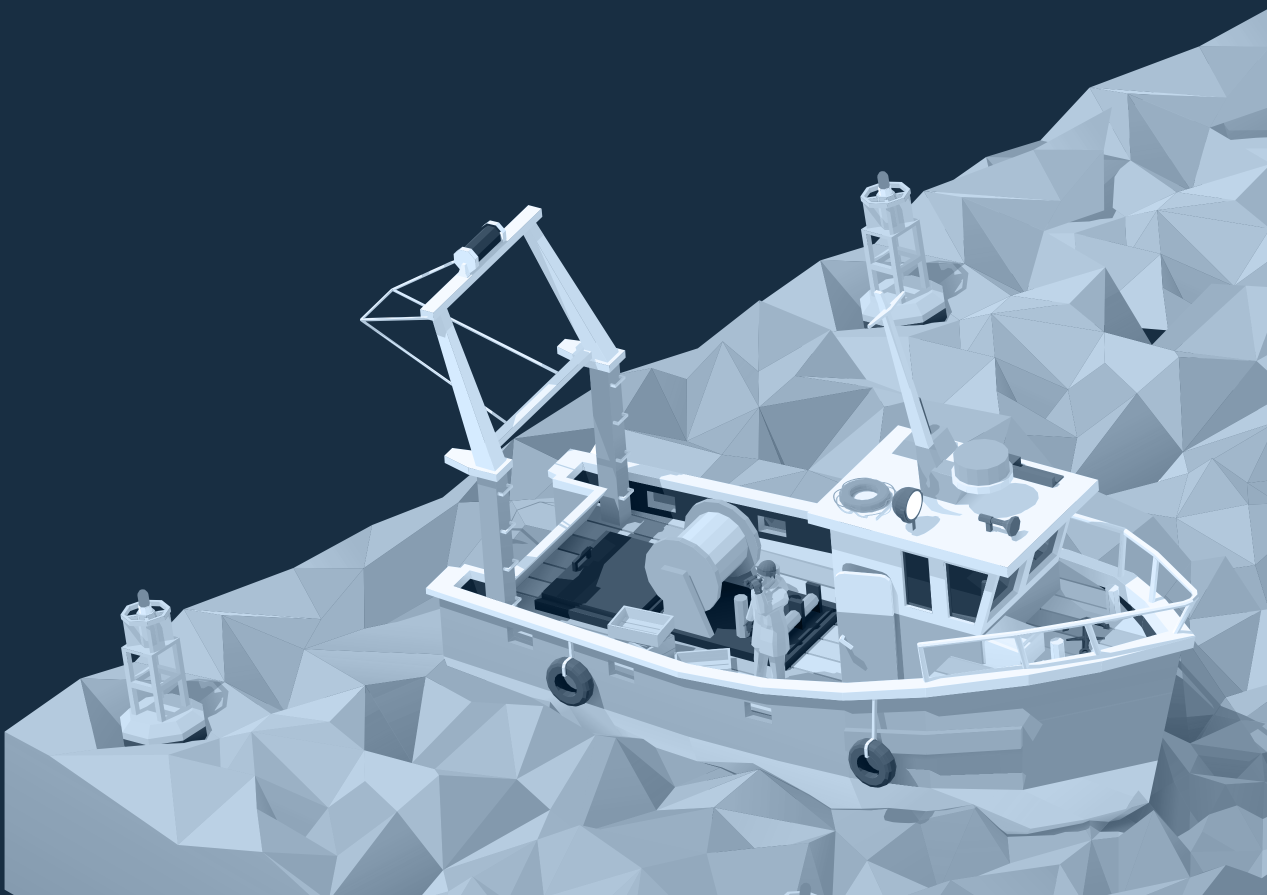
RESILIENCE THROUGH GROWTH

Part one of an economy series brought to you by **Bravo Group**.



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An introduction from our Chief Financial Officer:

SIMON DREW

The year 2020 will stay long in our thoughts, and the impacts of COVID-19 will last for a long time. Who would have thought as we sat down to eat our Christmas dinner in December 2019 that the next eight months would have unfolded quite the way it has?

As we have seen, however, businesses have adapted, both during lockdown as office workers proved that they can work from home, and post lockdown as the hospitality industry brought in measures to enable us to eat out in relative safety.

There is a long way to go though, as social distancing will be with us for some time - limiting the number of people you can have in an enclosed space. Which is going to make the winter period somewhat interesting...

So, what have we learned?

As you will read from our whitepaper series, there is a lot to be said for resilience through the lenses of growth, planning, community strength, and adaptability. You will hear from our Members, our Ethos Brokers, and the wider Bravo Group Exco Team as we explore these areas of resilience with real-life examples, interviews, and insight.

It is our hope that you can relate to these within your own experience, and if you've not already thought ahead, be motivated to take action now that will secure your business in the years to come.

Simon

A LOOK AT THE UK'S ECONOMIC FUTURE

The future of the UK's economy

As the UK falls into recession for the first time in 11 years, we take a look at how COVID-19 has impacted the UK economy and what is predicted for the future of post- lockdown UK.

Shifting shape of the economy

In the first quarter of 2020, the UK had already seen a mild contraction in GDP of around 2% , with the manufacturing industry severely impacted by the uncertainty surrounding Brexit. In February, the construction industry also suffered as a result of unprecedented rainfall, seeing a decline of 1.7% . Before lockdown even began, the UK's economy had ground down to a near halt, growing 0.1% overall in the three months leading up to February.

As the growing threat of COVID-19 became increasingly evident and global lockdowns were imposed, the UK economy plummeted. Despite this being a health crisis first and foremost, the ripple effect extended across all sectors, with some more deeply affected than others.

Between April and June, the UK economy was hit by its steepest decline in quarterly GDP on record, shrinking 20.4% compared with January to March. Despite starting to bounce back somewhat in June by 8.7%, GDP continues to remain a sixth below its level in February. This meant that in August, the UK fell into a recession.

High risk global sectors

The global sectors most at risk have been highlighted as the travel, automotive, electronics and the retail sectors. Since last December, major airlines have seen their Revenue Passenger Kilometres (RPK) drop by -40% and through the extended closure of their stores, supply chain disruptions and a crash from -7 to -27 in the Consumer Confidence Index , the British Retail Consortium have said they do not know when the retail sector will fully return to normal.

Within the insurance industry in particular, insurers and brokers are having to carefully navigate their way through the impact that the pandemic is having on both their financial position and the reputation of the industry as a whole. With concerns from commercial clients surrounding their Business Interruption coverage alongside falling interest rates and increasing credit risks, the industry has experienced countless roadblocks in this relatively short period of time. It's predicted that within the industry, life insurers will experience one of the most severe knocks due the volatility in the financial markets.

Combined with Britain's exit from the EU at the start of the year, every industry across Britain remains uncertain about what the future will bring.

Tackling Brexit during a storm

When Britain left the EU officially on January 31st 2020, nobody could have anticipated what happened next. While the Government did not account for a global pandemic to stand between the negotiation period with the EU, it's currently still set to end on

December 31st 2020. This could mean more abrupt and significant changes to our economy if nothing is
agreed in the meantime.

Despite calls to extend this transition period, the Government has so far rejected this notion as a possibility which has led to fears that we will end up with no deal come the end of the year.

It's hoped by the Government that they will reach a breakthrough which could mean a free trade deal is put into place by the end of the year. This will help to encourage trade and make it cheaper by reducing or eliminating charges for trading across the borders. If this happens, it should help the economy get back on its feet more easily, reduce bottlenecks in traffic and enable workers to continue travelling to the EU.

Managing public perception

While most small businesses were given the green light to reopen in throughout July and August, the question remains as to how we return to the stage where the public is fully comfortable to return to non-essential shops and services.

The overall high street figures suggest that things haven't returned to normal yet. The BRC and Opinium's latest consumer coronavirus tracker survey revealed that 24% of shoppers will be spending less than usual over the next month, with a particular decline seen for the fashion, electronics and health and beauty sectors. The survey did however show an increase in the number of respondents who were comfortable in buying groceries instore, jumping from 56% to 62% in a week. It's thought that this could be due to the necessity to wear facemasks in indoor public areas.

Another challenge for the economy could also arise in the form of reluctance to spend money again. During lockdown, many people have noted that they have started to save money in areas such as travelling to and from work and partaking in activities outside of the home, including eating out and high street shopping.

In a bid to target this, Chancellor Rishi Sunak introduced the Eat Out to Help out Scheme in August with the aim to encourage people to support the hospitality industry with a 50% discount off their meals and non-alcoholic drinks. During the first week alone of this scheme, the HMRC received 10,540,394 claims and the number of people visiting retail destinations increased by 19% after 18:00 BST.

However, as levels of unemployment continue to increase and uncertainty about the future remains, this could greatly delay the UK's return to pre-Covid levels of consumer spending.

Speed of recovery

At present, it remains impossible to say how quickly the economy will recover to its post-Covid state, although leading forecasting group, EY Item Club, believe it will take up until 2023 to restore the full extent of the damage. The group of economists calculate that by 2021 the economy will grow by 4.5% after dropping by approximately 6.8% in 2020.

Howard Archer, the chief economic adviser to the Item Club noted that the support that the Government gives to businesses and saving jobs during this time will be critical in order to reduce longer-term economical damage.

There have been few moments in history which have seen comparable levels of able workers sitting on the side-lines and it is imperative that the Government quickly gets as many inactive workers back to work. Much of these efforts are reliant on keeping small businesses solvent so they can continue to survive and recruit new workers. In response to these needs, in July, Sunak announced the launch of the Kickstart Scheme where the Government pledged to subsidise jobs for 16 to 24-year-olds receiving Universal Credit benefits.

COVID-19 vs past recessions

In order to anticipate what will happen off the back of a major economic crisis, economists are inclined to draw from past experience. Larry Elliot, Economic Editor of the Guardian, found that to find an economic downturn as sharp as the one caused by COVID-19, we actually need to go back 300 years to 'The Great Frost' in 1709, when the Thames froze over and the UK saw around a 14% fall in the economy. He notes that during the 2008/2009 recession, our economy contracted in a peak and trough by about 6% of GDP, while this time we will contract between 20-30% of GDP in the first 2 quarters alone.

Larry Elliot points out that it's inconceivable that the government will follow the same remedy that was implemented in 2010 by George Osbourne and David Cameron as it's simply not politically feasible or justified economically.

When the UK was in a nationwide lockdown, many expected a 'V' shaped recovery in which we would see our economy bounce back much more quickly than it would after other recessions. Yet, as the nation fell into a recession in August, this path seems much less feasible.

While Prime Minster Boris Johnson has spoken against going into a second nationwide lockdown, we have already seen localised lockdown affect places such as Leicester, Preston, West Yorkshire and Aberdeen, with some businesses having to close their doors once again. Such lockdowns could slow the speed of the UK's recovery further still, meaning that we may need to envisage a more 'L' shaped recovery, with a longer recovery period.

Could this change our economy for the better?

Although recent figures show that lockdown has temporarily devastated the economy, we have seen some light in the way of significant interventions for those most affected. Through furlough, the Government has subsidised 80% of wages of workers and some ideas which used to be quickly dismissed are now being taken much more seriously. While this amount is steadily decreasing as the scheme comes to an end, this is hoped to coincide with a rise in business and income.

Instigating these world-leading economic interventions appears to have opened up the floodgates for the consideration of the controversial Universal Basic Income (UBI), Modern Monetary Theory (MMT) and the Green New Deal UK (GND) to name a few.

We've also seen a shift in perception of public sector workers. While in recent years workers and unions have been battling against pay freezes and even cuts, this could potentially alter the way in which these types of jobs are valued irrevocably.

Perhaps this major shift to our economy could open up a whole new landscape of discussions, benefits and economic ideas in the future, as well as fast-tracking our digital progress. Many workforces will not operate in the same way after the pandemic and others will alter their practices to allow for more flexible and greener working for employees.

In terms of the insurance industry, work has started on exploring Pandemic Re, which would follow similar initiatives such as Flood Re and Pool Re to provide a longer-term solution for the pandemic. The aim of this would be to strengthen the industry's response to any future pandemics by enabling insurers to transfer their risk to Pandemic Re who would reimburse the cost to the insurer.

The shift in working during lockdown will likely pave the way for more innovation within the industry, putting the emphasis back on the policyholder and the importance of human connections. The industry's sudden increased reliance on technology and digital practices, along with the apparent gaps in commercial cover we have seen in the midst of the pandemic, could allow for more flexible, targeted policies.

The immediate future of our economy remains uncertain for the time being, but we've proved time and time again that we can rise from adversity stronger than ever – the evidence suggests this time will be no different.

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i CBI Webinar– Daily Coronavirus Update – Andy Haldane - Chief Economist, Bank of England (26 May 2020)
ii https://www.theguardian.com/business/2020/apr/09/uk-economy-already-flatlining-before-coronavirus-figures-reveal
iii https://news.sky.com/story/coronavirus-gdp-figures-show-uk-economy-was-struggling-before-covid-19-lockdown-11970814
iv https://www.bbc.co.uk/news/business-53748278
v https://tradingeconomics.com/united-kingdom/consumer-confidence
vi Euler Hermes Sector Update – Local Insights – April 2020
vii https://insfocus.com/blog/2020/04/the-impact-of-the-coronavirus-pandemic-on-the-insurance-industry/
viii Podcast – Today in Focus: What does the biggest economic slump in 300 years mean for Britain? - The Guardian
ix https://www.retailgazette.co.uk/blog/2020/08/tough-times-ahead-for-uk-retail-as-consumer-confidence-spending-intentions-remain-low/
x https://www.bbc.co.uk/news/business-53731002
xi https://www.theguardian.com/business/2020/apr/27/uk-economy-will-take-three-years-to-recover-from-coronavirus-ey

THE CULTURE CLUB:

HOW A SUSTAINABLE ETHOS CAN BOOST BUSINESS

The Coronavirus crisis has undoubtably put a strain on the UK economy, brokerages and the insurance industry, as well as our communities. However, at the heart of a broker's ethos is ensuring that their clients are protected.

This in turn provides revenue for the broker, which then delivers income for the insurers, and as a result the insurers are able to offer more competitive prices, thus saving clients money. All of which feeds into the economy. It's a wheel which, without one cog, would break. And, the culture of a company can help to keep those spokes spinning smoothly.

Taking a new turn

Since the UK went into lockdown, there has undeniably been strain on brokers' renewal lines, given the pressures that their clients are under, with many having had to close their doors for several weeks, furlough staff or even make redundancies. So, how do brokers keep the gears turning during a pandemic?

According to Ethos Broking Managing Director, Richard Tuplin, it is focusing on writing new business:

> Independent broking is incredibly resilient, and when you have a really effective, fast responding business, which Ethos Broking is, you can galvanise it very quickly.
>
> *- Richard Tuplin, MD, Ethos Broking*

He adds, "The only real way to trade out of pressure on your renewal line is to do new business, when everybody is focused and allowed to trade in that way, then you can get very quick results, but you have to want it more than other brokers do. That's what we're demonstrating, we actually want it more."

Having a strong culture where everyone wants to be on the same page can pay off. As a result of our values and focus, Ethos Broking's new business figures for May were up by half a percent on 2019 and EBITDA was on budget for June. Des O'Connor, Bravo Group CEO, explains, "We are not writing as much new business as we normally would, but we are writing more than we thought we would be at the beginning of the crisis.

"We took a bit of a pessimistic view on 1st April but actually the reality is better than that – we're renewing more customers, we're writing more business. Before COVID-19, we set ourselves a punchy budget, and whilst we may be off budget, we are definitely not going backwards. As a business we're holding our own and wrote the same volumes as we did in April and May 2019."

Spreading the load

With our Ethos Broking Hubs spread across the UK, we collectively handle £250m GWP across the business. The average Hub sits at around at £25m GWP, with our largest, Finch, placed at £50m GWP. Having a geographically widespread business naturally feeds further funds into the UK economy, as well as bringing in revenue into the brokerage's local markets. The model boosts communities across the country – the Ethos Broking cooperative as a whole, the individual Hub's regions, plus the broker's sector specific communities as many of our Ethos Brokers specialise in particular areas, such as marine for Knighthood and motor at Hugh J Boswell.

Despite these challenging times, many industries and specialised communities are continuing to prosper. "If you look at T&R, who have a huge agricultural base, they are one of the most stable in renewal terms because they are pretty COVID immune. People still need to eat, and they are probably buying more food than they ever have," says Richard. On the other hand, Bravo Group Non-Executive Director, Ian Clark, comments that the Coronavirus has created a divide for brokerages across the country. "If you look at the premium volumes that are going through Ethos Broking you will find that they are South and South East of England biased. Those parts of the economy are likely to come out of the COVID crisis quicker than the North and North West.

"There are two reasons why this is the case. Firstly, London has pretty much eradicated COVID-19 now because it took the pain first. The second factor is there is a much bigger focus on cross border financial services coming from the South East, which will be less impacted than core manufacturing and other areas that are based in the North."

The UK's economy shrank by 20.4% in April – the biggest monthly fall on record and three times greater than the financial crisis of 2008 and 2009. However, Ian believes that the second half of the year is going to be even tougher, which will have a knock-on effect on companies like Ethos Broking.

> We have a business that mirrors the UK economy – we've got a broad spread of SME clients with no particular concentration in any industry sectors. The economy is going to get worse before it gets better.
>
> *- Ian Clark, Executive Chairman, Bravo Group*

"Ian states that as we've only had a few months of renewal programmes whilst we're in the middle of the crisis, there could be a "real problem" in quarter three and four where furlough disappears and people can't put workforces back, so employee numbers are likely to drop.

He adds, "The economy will be running much slower than it would have done in previous years. Therefore, the impact comes on not only the number of policies you renew but also the value in the policies. Clients will be buying less insurance because they have a smaller headcount, and their people will be driving fewer miles. We are doing well now, we are doing all the right steps now, but the pain is still to come."

It starts with your core values

How do you plan for the further dip in the second half of the year? "Focus on winning in your local market, use this opportunity to build the relationships going forward, says Ian. "We have a touch point strategy with our clients and we're showing that it is working. We've also provided client care packs, however there will be a lot of brokers that haven't even spoken to their clients," adds Richard. "We're reaching out to clients that we've lost on premium and they're coming back to us to say, 'you're getting in touch with me when my other broker hasn't even spoken to me'. That's a big part of what we're delivering.

"Your geography is your community, and if you're putting into that community those relationships hugely count both ways."

> Focus on winning in your local market, use this opportunity to build the relationships going forward.
>
> *- Ian Clark, Executive Chairman, Bravo Group*

The Coronavirus has unquestionably changed the way we interact with others, and many businesses have welcomed technology like never before. "There will always be a place for personal relationships," continues our MD. "Our challenge is to be more efficient in that space and have a better advice led proposition; making sure we're delivering the value in the chain is important. However, if we can benefit through efficiencies either in digitisation or technology, we'll absolutely grasp those by the roots.

That doesn't mean to say you can't have a relationship over embracing technology - that is what communities are about, meaningful relationships."

What has made our 11 Ethos Broking Hubs so robust and thrive, despite a declining UK economy? For Richard, it is the culture that the business lives and breathes, where the brokerages retain their autonomy, all while benefiting from being part of a bigger Ethos Broking community.

"The reason why our brokers have been so resilient is that we have not provided this dictator state, where they've got no skin in the game. Even though we own these businesses, they are integral to how each individual brokerage operates, and Ethos Broking, succeeds," he comments.

"It's important to understand the culture that Ethos Broking has built itself into as part of the Bravo Group," adds Ian. "It began with Broker Network, which is a comfort blanket to the broking community. If you've got a problem, you go to your network. If you need capacity, you go to your network. If you want advice on HR, you go to your network. The close culture that is already there within the Group sets the 'ethos' for Ethos Broking, which joined the family in 2016.

"When you set a company like Ethos Broking up, you are a business that cares and is there to help, and that goes out to the external world. It's been proven in Bravo Group because we have not had to furlough more than two handfuls of people across what is now more than 900 employees. Generally, for the people we have had to furlough, it has been the person who opens the post in the morning and sits on the front desk, and there just isn't a job there to do.

"If you look at any of our competitors, I think you would find that the culture is much more hard-nosed and financially driven than the kind of support culture, which is what we're doing. It probably knocks a point or two off our financial performance, but it gives you a much more stable business in the kind of environment that we find ourselves in today."

Richard adds, "You can either say you're in the community or you can be in the community. We don't look at jobs, we look at how many mortgages we pay. When you look through that lens and how sustainable a business is then that is the effect you can have. When you see all the actions we're taking of managing costing and attacking new business that takes pressure off your next step, which would be job reduction."

Putting people first

Another upside of the a "support culture" model is people within our Hubs have chosen to step into other positions within the Ethos Broking business, rather than moving on when the opportunity arose. Finch's former MD, Vince Gardener, has moved into the role of M&A Director and Hugh J Boswell's prior MD, Peter Foster, is now our Regional Managing Director for the South.

Richard shares, "As long as the capability is there, we will always look internally for talent first. We would rather look internally because they understand what Ethos Broking is. It retains your talent because people know they have not just been put into a place where there is no advancement, and it makes it an exciting place to work; it becomes performance-led.

"This is an environment where people can learn. When we're taking on new talent, our people are in an environment where they have got backing and they're able to fail – they've got support around them to pick it up and catch it. As you bring talent on without experience, we're giving it to them real time."

It’s also about practising what you preach, and finding the next generation of leaders has never been more important, as the UK and insurance industry navigates life after lockdown. Therefore, to further develop our people’s skills and careers, we’ve launched a course designed to unlock leadership potential across the Ethos Broking business.

> The bigger that Ethos Broking gets, the more career opportunities there will be.
>
> *- Ian Clark, Executive Chairman, Bravo Group*

“I always describe it as the marzipan – the good people sit just below the top. The concept of marzipan talent is allowing people to have that freedom of jobs because we’re big enough to give them opportunity elsewhere.”

Whilst our industry is going through a PR crisis with COVID-19, people are often forgetting the role of the insurance market, as Richard concludes, “Ultimately, we’re balance sheet protectors. We enable the economy to take risks because we’re protecting those other risks, making sure that a business can get back into shape once it has had a fire or a flood. We continue to do that, so that our clients can invest and push funds into other areas of their business for growth.”

HOLDING FAST:

WHY THERE'S MORE THAN JUST A LITTLE HOPE FOR M&A WITHIN A DIFFICULT ECONOMY

We spoke to three of the leadership team at Bravo Group to find out why resilience is so crucial to the Ethos Broking model – and why the acquisition arm is thriving even during a pandemic.

"The speed and severity of the economic downturn has been far greater than the last recession, in 2008–09. The 0.1% contraction in the global economy in 2009 now looks like a pinprick by comparison with the International Monetary Fund's forecast that world GDP will shrink by almost 5% this year."

These are the words of Ian Stewart, Chief Economist at Deloitte in one of his recent 'Monday briefing' blogs which have become a bellwether for many in the financial sector. There can be no doubt that the COVID-19 pandemic has had a cataclysmic impact on the UK's economy; according to Deloitte's Economics Monitor, business optimism among the UK's largest firms has hit a record low, and the CBI Industrial Trends Survey indicates that uncertainty over future demand could be affecting investment.

So why then, when it comes to the world of mergers and acquisitions, have we seen such a flurry of activity from Ethos Broking? With five purchases and counting since the beginning of the lockdown, the acquisition arm of Bravo Group has been as active as ever despite the COVID-19 pandemic.

> When it comes to responding to the market, we don't get caught in the long grass.
>
> *- Richard Tuplin, MD, Ethos Broking*

To be effective in M&A you have to be as good as your word, and if that word says you will do something then you must deliver. Richard Tuplin, Managing Director at Ethos Broking, feels the culture and skillset of the team makes a huge impact. "It's the way the team operates," says Richard. "Starting with Ian where you have that professional discipline and guidance, and with Des and the wider team, we're really flexible and fleet of foot, and I would say that really helps the proposition. When it comes to responding to the market, we don't get caught in the long grass."

For Des O'Connor, CEO of Bravo Group, the business is seeing a greater number of opportunities. "But we don't have unlimited funding to make an unlimited number of acquisitions," says Des. "And the scrutiny on the cultural fit is just as important as ever. We will take time making sure the commercial due diligence stands up and completing our cultural due diligence to make sure the target broker is a firm that fits into Ethos Broking's way of working and thinking."

Shelter from the storm

Ian Clark, Executive Chairman of Bravo Group, says that while the preparation work already done by Ethos Broking has allowed them to work with a strong pipeline, that due diligence is more important now than ever. “We have a lens over everyone we’re looking at,” says Ian. “We have a pipeline of acquisitions lined up to go, but the pressures brought by COVID-19 mean that we’re sensibly performing another layer of analysis of these businesses to make sure they are not over exposed to any particular distressed industries. If they’re only insuring nightclubs or sports teams, you know they are in a difficult position. But we’re also giving them a chance to recover.”

Ian explains that the way deals are normally structured includes paying a deferred amount after the first year based on the business’ performance during that 12 months. “In the current environment you might think that the business is going to take a big dip in performance, so in some cases we’ve restructured our deals to give them a further year to recoup,” says Ian. He explains that Ethos Broking is not isolated in this in industry terms and competitors are working similarly. However, there is likely to be a reduction in the number of M&A competitors in the short run as their financial backers stall and lose confidence in the current business environment.

> It’s about confidence – we know what we’re about and what we’re doing.
>
> *- Des O’Connor, CEO, Bravo Group*

“We will still have strong competition from a number of businesses who have got their financing in place and it’s business as usual,” says Des. “The prices we pay will be fair and competitive and the period over which we pay them may extend out, but we don’t think we will lose many people from our pipeline. Conversely, it may go the other way. Because the broking sector is largely comprised of owners of 55 years plus, there is going to be a number of people who have been spooked by COVID-19 and therefore will want greater certainty over the money they have tied up in their business, and therefore may come to market earlier. So, we’re actually expecting Q3 and Q4 to be quite full on for us as we talk to a few people whose attitude to selling might have been brought forward by a few years.”

Ian Clark agrees. “Because of the size of our M&A team, we have the capability to manage multiple transactions at the same time and where necessary to go quickly. That opens up for us the opportunity to be acquisitive for those brokers who want to sell in a distressed business environment. There will be some brokers out there, particularly those who will be reliant on certain trades that have been impacted, who are finding life difficult. Their owners may be questioning their own commitment. We are in a good position because of the size of our team to make a rapid assessment of those businesses and to give those people certainty that we will look after their workforces going forward.”

Des adds that there has been a recalibration back to 2017/18 in terms of buyer interest and pricing. “The market got very bullish in terms of wannabe buyers and new entrants, and as quickly as they arrived in Q3/Q4 2019, a lot of them have faded back into the shadows,” says Des. “It’s about confidence – we know what we’re about and what we’re doing. The benefit of experience is huge.”

A common bond

The resilience displayed by the leadership team extends throughout the Ethos Broking business, into every regional hub and satellite brokerage. Cultural fit is hugely important for Richard Tuplin who applies this lens to every potential acquisition. "I've got to say I've seen resilience at each and every one of our Ethos Brokers," says Richard. "That's testament to when Ian and Des started on this journey that they looked for the right cultural fit; you would expect our Regional Partners to react in the same way.

> It's about exceptional client care and it's proportionate to each business.
>
> *- Richard Tuplin, MD, Ethos Broking*

"Bar those with sector specialisms that have been hit, who are still trying to be as resilient as possible, I think Ethos Broking has stood up incredibly well to this," says Richard. "It's about exceptional client care and it's proportionate to each business – we have one broker who brought a client back from Nigeria who was struggling to get home due to issues with the authorities, while others are doing everything within their power to prevent the local corner shop from shutting down. It's all relative and it all plays a significant part."

Has the pandemic affected Ethos Broking's strategic plans? Des thinks not. "We were always considered in our M&A approach, but now we are also more mindful of the macro-economic dynamics, which means we have to be incredibly careful about understanding the underlying portfolio of any business and that it's COVID-19 proof," says Des. "However even in this difficult environment we must be true to our word and protect our culture."

The hard sell

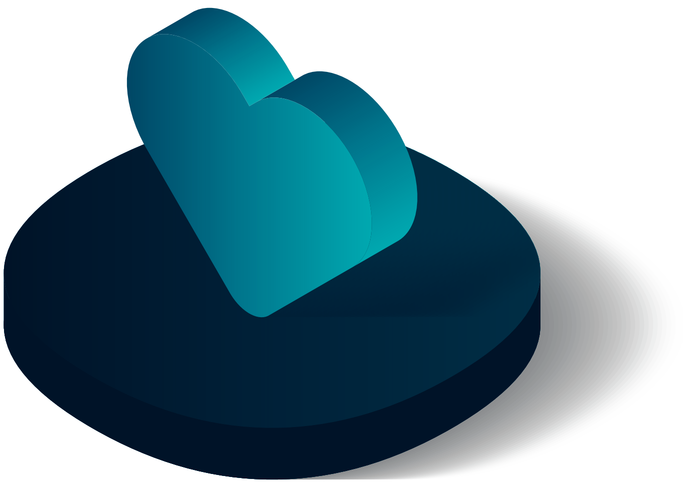
The next test of Ethos Broking's resilience will be broking in a hard market, something that Richard says around 80% of the workforce have never faced before. "We are going to have to teach them that there is a skill set to do it. It's about presenting well to the underwriter, getting back to your profession and showing your craft as a broker, and understanding your client better than anyone else does."

> Ethos Broking is big enough to develop our own wordings to take to the insurance markets, as opposed to relying on what they give you.
>
> *- Ian Clark, Executive Chairman, Bravo Group*

Ian adds that given the problems and losses that have come from the pandemic and the closure of businesses, we are certain to see price rises. "Because our income is often linked to the unit of premium, whilst we will lose some premium because of failure of clients, it's going to be compensated in some areas by fairly significant price rises," says Ian. "The big problem of a soft market is, everyone focuses on price, but generally it is accompanied by a relaxation of policy conditions – in other words, almost "we'll take anything that comes our way". Conversely the problem with a hard market is, it's more like "here's our wording, it's very narrow, take it or leave it". That's where Ethos Broking comes to the fore for independent brokers, because we're big enough to develop our own wordings to take to the insurance markets, as opposed to relying on what they give you."

Richard adds that it is this duality between independence and strength in numbers that sets Ethos Broking up with such resilience. "There is a view that independent brokers perform better for insurers than national consolidators," says Richard. "It's statistically proven. So, if we can keep this mindset and this geography going and this model, we'll be outperforming our competitors by advising our clients better."

> Our plan is 25 acquisitions next year, 25 the year after, and 25 the year after that. That's the kind of rate we believe we can run at.
>
> *- Ian Clark, Executive Chairman, Bravo Group*



Running at pace

Looking to the future, Ian believes there is plenty of opportunity for Ethos Broking. "As you always do if you're an acquirer in a difficult economy, you have a look at your plans going forward. Our plan is 25 acquisitions next year, 25 the year after, and 25 the year after that. So, providing we can find them and flush them out, that's the kind of rate we believe we can run at, with our current financing in place giving us certainty."

> I've seen a huge shift from people saying they don't want to be part of something big, it's too corporate; now they see safety in numbers.
>
> *- Des O'Connor, CEO, Bravo Group*

Des adds that the economic environment in front of us is pushing brokers to look for scale and resilience to move beyond the pandemic. “It depends who the owner and parent is,” says Des. “If you have got scale and genuine financial clout and resilience, then you should be able to see yourself through what is likely to be a difficult post COVID -19 period. Which is why we do see brokers saying they want to be part of something bigger, because it can be quite lonely. You might have a loan in your balance sheet or a loan with the bank, and suddenly you’re thinking I only need a dip in turnover of 10 or 20% and I’m going to struggle to keep up with my repayments.

“Access to funding is obviously important but execution is everything. Having a considered view to M&A and buying well is so important; and the cultural piece is huge. You want people like we have in Ethos who have had to dig in and outperform their competitors, really work hard to maintain and be equal to last year’s performance. At the heartbeat of it all is staying disciplined all the way through. Being part of a larger group is definitely attractive. I’ve seen a huge shift from people saying they don’t want to be part of something big, it’s too corporate; now they see safety in numbers.”

Richard adds that this way of thinking plays back into the Ethos Broking model. “You’re still independent and have significant autonomy,” says Richard. “Being part of a wider family gives that support. We have had some of our Regional Partners come to us and say they are relieved to be part of Ethos during this.”

Des adds that Ethos Broking is almost the perfect model for those who want to be independent brokers while benefitting from having a large balance sheet to protect them: “You get to retain your independence and brand, but you’ve got the safety net of being part of the Ethos and Bravo Groups.”

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