

TAKING THE NEXT STEP



SIAA joins forces with Odyssey Investment Partners to secure its future

By Elisabeth Boone, CPCU

By any measure, the Strategic Insurance Agency Alliance (SIAA) is a robust concern that ranks as the number one independent agency alliance, with members that represent some 13% of the U.S. independent agency channel. SIAA continues to grow, posting \$9.6 billion in total in-force premium at year-end 2020 and delivering a range of services to members that belong to 48 local master agencies.

During 2020, despite the pandemic, SIAA added 527 new member agencies. “It was our second biggest year in terms of bringing in new agencies,” says Matt

Masiello, AAI, chief executive officer. “We also had incredible production with our strategic partner insurance companies.”

Those are the stats, and by all accounts SIAA is poised for growth well into the future.

What about that future?

In March of this year, SIAA entered into an investment arrangement with Odyssey Investment Partners, a private equity firm with offices in New York and Los Angeles. SIAA had been exploring perpetuation options for some time, and Matt is enthusiastic about the new partnership and what it means for his organization’s future. Concurrent with the transaction, it was announced that Matt’s father, Jim, who founded SIAA in

1995 and had been serving as chairman, will be stepping away from the organization. Matt joined the organization in 1993 as part of the founding master Satellite Agency Network (SAN).

“We worked with Goldman Sachs to identify potential investors,” Matt says. “Some really great candidates came to the table, and the one that rose to the top was Odyssey as being the best for our staff, our member agencies, and our business model.

“When people ask me ‘Why Odyssey?’ I say, ‘I can drop their people in a room full of our master agencies and our member agencies, and within about 15 minutes agents will come up to me and say, ‘Hey, those guys are just like us!’”

That's important, Matt says, because people who view private equity offerings as hostile and predatory can see that Odyssey is the polar opposite. SIAA will continue to operate independently. Matt continues as chief executive officer and an owner, while other executives also invested alongside Odyssey. SIAA will have access to fresh capital resources that it can invest in mergers and acquisitions, technology, and other growth initiatives.

"We continue to execute at a very high level, doing what got us here," Matt explains. "What got us here is making sure our agencies have the appropriate support to sell, service, and renew policies.

"What can we apply as accelerators as a recapitalized, reenergized organization?" he asks. "Can we start working with agencies to implement more modern sales tactics? We're not telling agencies they need to recreate their operating model; we want to take digital capabilities and apply them to what made the agencies successful so they can be even more successful in the future.

"I think that same concept holds true for SIAA; we now want to apply digital capabilities to insurance distribution," he continues. "My mantra right now is: 'We want to be the tip of the spear for the evolution

and the future of the independent agency distribution model.' We want to help SIAA members be the cutting edge in distribution—for themselves, for the channel, and for the carriers we do business with."

Odyssey "gets it"

Odyssey sees the value of the independent agency channel, Matt remarks. "We do business mostly with mid-sized to smaller local and regional agencies, and Odyssey sees the value of Main Street agencies. The fact is that 70% of the independent agency channel is under \$1.5 million in revenue. Odyssey appreciates agencies of that size. They know that personal lines isn't going away, and they understand the value of small commercial accounts, which comprise the bulk of our commercial business.

"A key factor for us is that Odyssey has other insurance interests," Matt asserts. "We talked to some great organizations that had insurance portfolios and understood the business very well. What we didn't want was a partner to whom we had to explain what we were doing and why we were doing it. Odyssey understands that, and they understand what our market is. That's hugely important to us."

How did SIAA's master agency owners react to the acquisition?

"They had a favorable reaction," Matt responds. "After all, the deal doesn't provide a perpetuation opportunity just for SIAA; it also provides that opportunity for our master agencies, should they choose to participate. Over the years, our master agencies have approached us and asked if we would provide perpetuation, and now we can support them in their perpetuation.

"Whether I'm addressing the master agencies or all of our members, I talk about what I call the ecosystem," Matt continues. "We have an ecosystem that relies on the success of SIAA, whether it's our members or our master agencies and staff, and our staff here in New Hampshire.

"I spend a lot of time thinking about how we can support the ecosystem and ensure that we're creating a sustainable model for many years to come," he explains. "How do we perpetuate the model on a financially sound platform that's going to be around for years into the future? I think our organization has gotten so big that we have a moral and ethical obligation to make sure we're here for our constituents for the long term."

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Chief Executive Officer
SIAA

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—Jim Masiello
Founder and Chairman
SIAA



Matt Masiello

Jim Masiello

Photography by Arturo Paulino

What does the future hold?

In this era of lightning-fast change, what does Matt think the agency of the future will look like, and is that future bright or cloudy?

“If you believe what you read today, the insurance industry is about five years behind in the digital revolution,” Matt observes. “You also might believe what some people are saying: that the pandemic has increased consumers’ digital savvy by about five years. If you believe those numbers, we’re 10 years behind in the digital revolution, and that’s a lot of ground to make up.

“The insurance-buying public is looking for the same digital interaction and capabilities they have in other parts of their lives,” he asserts. “I think that gives us a unique opportunity as independent agents to provide consumers the best of all worlds in the form of digital resources and the ease of digital transactions, combined with local advice and local advocacy.

“The shrinkage of the exclusive agency channel is a gift to us in the independent agency channel,” Matt continues. “We can take advantage of that gift by evolving our businesses, or we run the risk of being disintermediated by digital technologies and direct-to-consumer entities. I think we have a window of several years to create the digital environment consumers want; and if we do, the independent agency channel is going to be around for a long time to come.”

Speaking of a long time, that aptly describes the career of Jim Masiello, founder and chairman of SIAA. Before establishing the Satellite Agency Network in 1983 on a local level in New England and SIAA on a national level in 1995, Jim founded Masiello Group entities in real estate and real estate development, commercial leasing, employment services, financial services, and travel.

Asked to name some of the highlights of his distinguished career, Jim mentions awards from Travelers and Liberty that recognized SIAA as a \$1 billion relationship. On a more personal note, he talks about receiving the prestigious Henry C. Martin award from The Rough Notes Company, Inc., in 2017. He was only the seventh person to receive the award, which recognizes industry professionals for their contributions to the insurance business.

In search of a partner

We asked Jim what factors motivated SIAA to seek a perpetuation partner.

“Our long-term goal was to become a \$10 billion insurance distribution network, and we’ve achieved that goal,” Jim responds. “Many of our master agencies are looking to perpetuate

either internally or externally. Perpetuating these agencies will require a huge amount of capital, so we knew we needed to bring in a financial partner. It was just time.

“I wanted the senior team to stay intact and for things to continue as they are,” he says. “I told Goldman Sachs that it was very important for the team to remain involved and to be appropriately compensated; that’s what makes the model work. That’s equally true for the regional presidents.”

The Masiello family business will use some of the Odyssey proceeds for investment purposes, Jim says. “We’ll focus on the insurance space when opportunities arise that don’t conflict with SIAA.”

What are the principals of the master agencies saying about the Odyssey acquisition? “I’ve heard from many of them, and I plan to reach out to those who haven’t contacted me,” Jim says. “Like SIAA, they too are facing perpetuation.

“We’ve provided them a high level of support,” he adds, “and that will continue throughout the transition and beyond because the team will stay in place. We had a series of webinars with the master agency principals, and their message was loud and clear: Don’t change a thing.”

A look into the future

What does Jim think the future has in store for the independent agency channel?

First, he says, “Agencies will continue to consolidate. We’re in a period of intense M&A activity. In our promotional materials we say, ‘Big is better,’ and that is true in any industry. Once a year, we evaluate our strategic partner companies in terms of their premium volume and retention, and we compare our numbers with theirs. In every instance we outperform the companies three to one or four to one based on how much we add to their bottom line.”

The number of independent agents likely will stay the same or even increase, Jim believes. “A big movement is under way in which the captive or exclusive agent model is making a transition to the independent agent model,” he explains. “This trend is exemplified by the fact that last year our member ranks grew by 527 agencies, with some starting from scratch and others coming from exclusive agency companies.

“That’s a healthy trend for us, and we’re always pleased when a major carrier decides it doesn’t want to market through exclusive agents anymore,” Jim notes.

“We’re in a dynamic period with a lot of changes happening,” he observes. “SIAA’s response, based on feedback from our master agencies and member agencies, is to do as Matt has stated: ‘We continue to execute at a very high level, doing what got us here: making sure our agencies have the appropriate support to sell, service, and renew policies.’

“We listen to our member agents as well as our master agency principals, who guide our decision-making process,” Jim explains. “Over the years SIAA has weathered many changes, and we always come out stronger.” ■

For more information:

Strategic Insurance Agency Alliance (SIAA)

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BLURRY CRYSTAL BALL



In the depths of the pandemic, Matt wrote a book titled *Insurance Agency 4.0*, about how he views the future of the independent agency. “I call it my blurry crystal ball with occasional

glimpses of clarity,” Matt says with a laugh. In the book he offers plain language, practical advice to agents who may be struggling to identify and pursue growth opportunities amid a host of challenges, from staff pushback to outdated agency management systems.

Digital technology is here to stay, Matt asserts, and clients expect their transactions to take place seamlessly and speedily, without the errors that inevitably occur when a human is involved. He offers advice that he himself follows: Don’t resist digitization; embrace it, master it, and use it to grow revenue and profits.