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After a decade of 'fierce' competition, 2 insurance i-bankers find quick success through new partnership

By [Ben Cooper](#)

Now managing partners of Sica Fletcher LLC, Alexander Sica and Michael Fletcher used to be direct competitors in the insurance advisory space. Sica founded insurance brokerage advisory firm Sica Consultants nearly 25 years before bringing Fletcher on board and rebranding the firm as Sica Fletcher LLC in the beginning of 2014. Fletcher made a name for himself with Hales & Co. Inc., before its partners and an investor group formed a new investment bank Dowling Hales, to advise on insurance M&A. Fletcher eventually left Dowling Hales to launch his own advisory firm in 2013, until one day he and Sica decided they could find more success working together than they could on their own. Through this idea, Sica Fletcher was born and has quickly risen to the top of SNL's insurance league tables, in terms of number of deals, after serving on 22 completed transactions so far in 2014. The two shared with SNL the story of how they went from competitors to partners, and how they have managed to quickly find success in just a few months after the launch of the new shop. The following is an edited transcript of that conversation.

SNL Financial: Fletcher, how was Dowling Hales formed in April 2011 and when exactly did you leave?

Michael (Mike) Fletcher: I think it was really the result of a creation of a new firm. We originally had about seven partners there and at that time it was just a new strategic partnership designed to take advantage of what we thought may be new existing opportunities in the insurance space. I left in 2013. I was one of seven partners at Hales & Co. for nearly a decade where we had a fantastic run putting together some of the industry's most notable deals throughout the decade. And then in 2013 we sort of had a new partnership and a new firm name and four of my original six partners that I worked with decided to leave to pursue other opportunities. So I decided to start my own firm, Fletcher Partners, to take advantage of really what was an M&A market that was traditionally slow and formal to one that was becoming a lot more aggressive and fast paced.

SNL: Sica, can you tell us a little about your time with Sica Consultants? It's our understanding you were there for quite some time.

Alexander (Al) Sica: So I founded Sica Consultants back originally at the end of 1991 and operated it as Sica Consultants up until we rebranded the company in 2014 as Sica Fletcher. I was the same guy for all these years until this point and was obviously a competitor of Mike, who at Hales was a fierce competitor. Mike was, clearly in my mind, always the top producing partner at Hales. We had a very good relationship and in fact worked together on a couple of deals over the years. When push came to shove and Mike was starting Fletcher Partners, he had reached out. We had very good dialogue around that and hence decided to come together. From my perspective, it was clearly an outstanding business decision for both of us. So I've been the same guy through and through, we just rebranded the name this year.

SNL: Explain to us a little more your relationship before the partnership. How exactly did you get to know each other?

Fletcher: We got to know each other as pretty fierce competitors over the past decade. I had a lot of respect for what Al was doing. He had a slightly different model than other folks out there, which was very aggressive. He was knocking down some of the biggest deals to take place in the industry and was really under the radar — no one really knew of some of the major deals he was working on. In 2012, he put together a \$650 million deal that was one of the [biggest deals](#) of the year with [Confie Seguros Insurance Services](#) and [ABRY Partners LLC](#), and that really caught my attention to what he was able to accomplish. So when I left to start my own firm, the first day I started my own shop I called Al to tell him what I was up to and, frankly, to get any advice I could, given that Al had been doing insurance M&A for basically a quarter century. That conversation quickly evolved into us trading ideas which quickly led to us knocking down a few transactions. Then, by the end of 2013, it became pretty clear to both of us that by partnering we could do more together than we could on our own. So in the beginning of 2014 we launched Sica Fletcher and have not looked back since.

SNL: Were you met with any resistance from the rest of the industry when people found out two old competitors were partnering up?

Fletcher: I think anyone is always skeptical about a new firm coming to market because a lot of folks are trying to get into the business. It's a tough business to break into, and it's a tough business to sustain. Was there room for a new M&A market? Most people thought no and that we were crazy because these other firms were already established, and there are some great firms out there. But there are a lot of deals getting done in the space that no adviser is even on. So it's a big market.

SNL: How did you manage to find such quick success so early on in your partnership?

The most successful M&A advisers are those who generate proprietary and value-added ideas for their clients. This is very different than just being an order taker as many M&A advisers fall into. For example, they get a call from a firm that wants to sell, so they put a profile together, call every buyer they can think of and get bids on behalf of the client. I would say that of the 22 deals we have closed year to date, only about four were from clients calling.

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us to say they wanted to sell. The majority of our transactions resulted from us presenting to our clients ideas and truly unique opportunities that eventually lead to a transaction. A perfect example of this is when we closed a [transaction](#) where Dewitt Stern Group, a more than 100-year-old brokerage firm in the industry based in New York City with a great reputation, merged with RSC Insurance Brokerage Inc., creating a top-35 broker and a broker with a \$100 million of revenue and 400 employees. And that was really a result of AI having a long-standing relationship with both parties and putting some ideas together which culminated into a transaction. That's typical of most of our transactions.

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— Michael Fletcher, managing partner of Sica Fletcher

SNL: Where generally has your expertise been in terms of insurance brokerage and agency M&A?

Sica: The reason we're able to be very creative and flexible in helping our clients is because the model we have is a little bit different, to where we're truly the adviser to the client. Any insurance agency in the country is a potential candidate for us. There's no one too big, and there's no one too small. It's really people that are looking to figure out their next steps in their business careers or what to do with their business. We really put a lot of emphasis on making them understand that they have an asset versus just a lifestyle company. In saying that, we have clients at different shapes and sizes, and they are at different places at different times. Some of our clients are buyers and growers forever. Some are buyers who become sellers, and right now this is one of the most fruitful sellers markets almost in the history of the insurance brokerage space. And last but not least, some are outright sellers. We might have had four people call up out of 22 and say, 'AI, we're ready to sell.' But the majority of the other 18 deals came from clients like Dewitt Stern who we are continually talking to about strategic initiatives and things to help them continue to perpetuate their business in whatever direction they may see. So the bulk of our clients are insurance brokers that are not specific to P&C, employee benefits, managing general agents, managing general underwriters, etc. Pretty much anything in the space we have the ability to handle and a lot of our clients are full-service and do multiple things. We deal with all of them, and we've done transactions with all different types over the years, both of us even before we were together. Now that we are together, I think we've done as many benefit firms as we have P&C firms as we have MGAs over the past year or so.

SNL: You have spoken briefly on the insurance M&A environment so far this year; what is your take on the outlook for the next several years?

Fletcher: Basically, insurance broker M&A is running on all cylinders as we speak. The reason behind that is that low interest rates and strong debt markets have led to more and more private equity firms entering the space and virtually doubling the demand that we had maybe in the last aggressive market in 2007. So you have that combined with some pretty interesting demographics. The current age group of many existing agency owners is getting to the time frame where a transition of ownership may need to take place over the next decade, so we're pretty bullish on the M&A market for the next five plus years. Interest rates do have a big impact because they add fuel to the fire market but that's something that no one in the industry has any control of.

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Source: SNL