

06-Sep-2023

# Ryan Specialty Holdings, Inc. (RYAN)

**KBW Insurance Conference** 

### **CORPORATE PARTICIPANTS**

### Timothy W. Turner

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

#### Miles Wuller

President & Chief Executive Officer-Underwriting Managers, Ryan Specialty Holdings, Inc.

#### Jeremiah R. Bickham

Chief Financial Officer & Executive Vice President, Ryan Specialty Holdings, Inc.

### OTHER PARTICIPANTS

**Meyer Shields** 

Analyst, Keefe, Bruyette & Woods, Inc.

### MANAGEMENT DISCUSSION SECTION

### Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. We are going to move along. And for our next session we've got the senior management team of Ryan Specialty, including to my immediate left Tim Turner, President; Jeremiah Bickham, CFO; and Miles Wuller, who is the CEO of the underwriting managers component of Ryan Specialty. Tim is going to open up with a few introductory comments and then I will lead off with some questions. As always, I want to make sure that your questions are being answered. So if you have a question, please raise your hand and we'll be happy to turn over the floor to you. And with that, Tim?

### Timothy W. Turner

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

Well, thank you, Meyer. It's great to be here. Good morning, everyone. Thank you. Thank you for joining us. As you know, we had a great first half of 2023. As expected the market continues to be very firm in North America, especially on these high hazard property and casualty segments that we live and breathe in every day. We look for the remainder of the year to be equally as strong. Lots of opportunities out there. As you read about every day the world and certainly North America continues to be a risky place for casualty business. And certainly Mother Nature is throwing us lots of curveballs in the property segment. We see no change in that going forward, the flow remains very strong into our channel. The dumping and shedding from standard markets into the not admitted market remains very robust, and we're capturing our fair share of it. As we look forward, we're very well positioned for M&A, not just companies, but individuals, teams. We're attracting very high caliber talent to our organization, as we always have. We're developing and recruiting talent every day. All of that's going exceedingly well for us. So thank you.

### QUESTION AND ANSWER SECTION

### Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

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Okay. With that, to start off the Q&A component, I want to focus on pricing and I want to make sure that I'm communicating this effectively. The pricing remains broadly positive and Tim has talked about that both in terms of the actual rates and which typical component of hard markets is that you've got risks moving from the standard to the specialty markets. So we've got that broad overall picture. It is broadly favorable.

We do have a couple of exceptions. We've talked about that a little bit today with regard to public company D&O more recently, maybe to a lesser extent, cyber. And I want to talk about the difference between the two of those, because it's an interesting thing. When public company D&O pricing started to soften, a lot of that was attributed to the fact that there were fewer transactions. Right. There are fewer IPOs, fact there was less M&A going on, probably all related to interest rates. And therefore, you had competition on an intrinsically shrinking book of business, maybe amplifying the impact of competition. When we look at cyber, that's not really accurate.

With cyber, there's sort of this underlying, I would imagine underlying premise of growth that there are more – there's more risk, there's more sensitivity to the risk, in which case that aspect of the justification for softness in public company D&O doesn't really work itself out. So I know this is a convoluted question, but I was hoping you give us some insight into the underwriting mindset of the industry that's leading to this – these disparate pricing trends by line of business?

### Timothy W. Turner

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

A

Sure, I'd be happy to. You make a distinct point there in that the public D&O and the cyber, while they both encountered rate deceleration and a migration back to the standard market to a degree. There were different reasons for that. The only common thread there is that we didn't have a lot of large losses in the space. And so, rate adequacy seeps in and standard markets, direct markets start to pull some of that business back. That's been happening there on the underwriting side, I'll let Miles go a little deeper on that. As you know, we're in both spaces on a delegated underwriting authority.

### Miles Wuller

President & Chief Executive Officer-Underwriting Managers, Ryan Specialty Holdings, Inc.

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Yeah, well, no, we appreciate the question. And it's and thank you for the chance to kind of break away from the parallels of those business rates. So as you both have touched on. So if you think of D&O that trend started three or four years ago. Industry results had been substandard. The market started achieving rate and then that was met with substantial demand in the spec and IPO market. D&O in fairness is traditionally an admitted product or more broadly admitted product. We were proud both on the brokerage and underwriting side, to be able to step in and meet the needs of both our retail and carrier partners in that space. So there is an exact confluence as firming, demand and then once that that pricing adequacy was achieved, demand fell away and it moved faster than most people expected. So that was pricing and demand, meaning at the same time, in cyber we're early in that journey. So I'd want to emphasize that there has not been a major headline in a year or two. We have not seen a Home Depot or we have not seen a Target. And part of that is by the great investment of the risk managers of the Fortune 1000 companies and some of the smaller companies.

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Those – the threat landscape remains real, there are still record numbers of attempts every day. There are still substantial ransomware's under attack every day. And so the losses are happening more attritionally in the small and mid-market space. But they are they are out there and so while the – the threat remains real, we're positioned for it. And structurally, only 20% of the US is currently buying cyber insurance. So we see growth for the next five years. That could be 20%. So even though there might be small term movement between admitted and E&S, there is a structural need for continued coverage in this space.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Thanks. I want to follow-up and maybe I'm getting ahead of myself here because it's always, well, what have you done for me lately? We've talked – we've seen, I think, very strong submission flows over the past couple of years. And I think it's an inevitable component of a hard market is that business will move to the specialty carriers. This year one main aspect of has been catastrophe exposed property. How we think of the duration of that flow. Will it all have moved over by the end of this year or is this a multi-year process? How does it actually work on a day to day basis?

Timothy W. Turner

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

In cat property?

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

In cat property.

Timothy W. Turner

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

We look at that as a multi-year transition. The number of hurricanes, wildfire events, even the convective storms have put so much pressure on the standard company's balance sheets that the dumping and the shedding, in our view, is really just begun. We think that runway's very, very long. The increase in submission flow, the rate increases, the structure of these deals changes dramatically. And so the freedom of rate and form in the now limited market just becomes an absolute necessity to complete these towers in the commercial market.

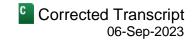
And so I see that as a continuous dumping and shedding. I don't see global warming changing, unfortunately. You can see the record number of storms that are projected this year. Another one in the hopper as we speak, expected to have landfall by Saturday. Could be a Cat 4 on the East Coast. Underwriters are reacting to that. There's more non-renewal notices flooding the market on the standard side. We get those submissions immediately. But maybe more pointedly, there is the risks that we're on. In many cases, we get more opportunities on the layering of those accounts. So we may be on one part of the account down low and standard markets vacate the upper layers. And so, we got, you know, more opportunities, but the submission count is the same. So you really have to peel back the onion to see what that real flow and opportunity is. But it's a mess in cat property. We've never seen a flow like this before. Thank goodness we are ready for it. We have a lot of depth and breadth in all our broking channels. We have a lot of proprietary product in the delegated underwriting authority space. We're in a very strong position to help our clients.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.



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And then, a related question, I think this will apply probably to all three of you is in terms of making sure that you actually have the capacity on the other side for your clients. Can you talk about that? Capital procurement and I'm going to call it retention and just make sure that it's there year-after-year.

Miles Wuller

President & Chief Executive Officer-Underwriting Managers, Ryan Specialty Holdings, Inc.

Yeah. Look, we appreciate it. So, you know, I think like a lot of the folks in this room, there is a — we are judged on our performance track record. Right. So carriers everyday have a decision of do they attempt to underwrite this risk themselves or do they do they trust and delegate that responsibility to us? So carriers are looking for partners that have a likeminded view of risk. They've made substantial investment not only in top talent, but their resources to manage that risk. And then, ultimately, your track record. And so, our hallmark has been high standard of care, likeminded viewers as our partners and now we're delivering consistent and sustained outperformance to the broader market and the outcome, Meyer, is that existing partners often want to come and do the next line of business with us. We have partners that are taking quota share participation across our whole line, and it ultimately compounds on itself where we're able to bring new product to market faster, bring incremental lines and capacity to existing facilities and look, I think the third one I'll just touch on it since we talked about Cat, we've benefited. There's been a real flight to quality in the last year or so since lan struck. When lan happened, the market was already into three or four years of property pain. A lot of carriers retracted. We had the unique benefit we outperformed the expectations of the storm, a lot of competitors and we've actually been attracting cat aggregate capacity as the market's generally been contracting. So like we're excited for that outperformance to kind of play back into our business and allow us to continue to grow and serve our clients.

**Meyer Shields** 

Analyst, Keefe, Bruyette & Woods, Inc.

Fantastic. And again, I want to look around the room just to make sure that if there are customers here that they're being asked and answered. When you look at the non-standard markets, I can think of a few companies that are looking for more cat-exposed property, either because they want to shift their mix of business and/or because they believe that the expected returns right now are phenomenal. We are seeing dramatic rate increases. Is that representative of the overall specialty market that there's an appetite for property or is it more mixed?

Timothy W. Turner

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

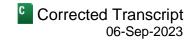
I would say it's more mixed and you do have some acceleration into the market, but it's a much, much shorter line. So as an example, an average risk that we were on last year, our participation on a few layers may have taken 10 carriers or 15 carriers to satisfy the needs of our clients. This year on that very same risk, it could take twice as many carriers. De-risking is a big, big part of this transition and affirming market. Even the largest players on the risk bearing side are shrinking their lines on cat business. So it really takes an expert to put together full coverage cat annuity in these very large towers and that that's really an attraction and part of the value add that we bring. So we're brokering these accounts where we're marketing them to over 100 wholesale-only distribution companies, and then we're weaving in our proprietary product on the delegated underwriting authority side.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

That would sound like something that smaller wholesalers just don't have the ability to do.

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Timothy W. Turner  President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.	A
There's a very few of us that that can do that simultaneously on a cat-driven account.	
Meyer Shields Analyst, Keefe, Bruyette & Woods, Inc.	Q
Okay. Go ahead, [ph] Dick. (00:12:52)	
	Q
[indiscernible] (00:12:53-00:13:09)	
Timothy W. Turner	Λ

Yeah. We certainly wouldn't complain about that, [ph] Dick. (00:13:13) There are reduced commissions in certain places, carriers will lower the commission on these higher hazard, riskier lines. But we – its full disclosure. We work that out with our clients and we're fairly compensated for it. But yes, as premiums go up, you know, occasionally we will get more. But it's very closely watched and monitored by the bigger retailers and really full transparency in the industry, more so than I've seen in my career.

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

### **Meyer Shields**

Analyst, Keefe, Bruyette & Woods, Inc.

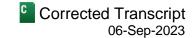
Okay. I want to ask a broader question and you give a bit of an introduction that it was when Ryan was going through the IPO process. One source of growth that was emphasized was that retail brokers are consolidating their wholesale panels and obviously, if you're on the right side of that, if you have size and scale and capabilities, then when the retail brokers are using fewer wholesalers, you're going to win that in that process much more than you're going to lose and I think we've seen that work out ever since the IPO. More recently, we've had higher interest rates and maybe a relatively abrupt slowdown to M&A and I attribute that to the fact that the buyers recognize the impact of higher interest rates in a way that maybe less sophisticated sellers don't relative to describing the value. So, I wanted to ask with regard to slower broker M&A, I guess there are two questions. One, how are you seeing that in terms of the retail brokers that are your clients bringing in new, smaller acquisitions whose wholesale panels can be consolidated? And then second, you're also an acquirer, how are interest rates impacting the competition for assets?

#### Jeremiah R. Bickham

Chief Financial Officer & Executive Vice President, Ryan Specialty Holdings, Inc.

[indiscernible] (00:15:01) I'll start and then you can jump in. Two parts to that, one, the client side and then other side so I'll take them in that order. We think that retail broker consolidation is a strategy that's going to persist and of course the financing markets have an impact on it and if any of our clients that are really, really highly acquisitive need to slow down or pull back and say divert their attention to, like you mentioned, maybe more optimizing their panel strategy. We think we stand to disproportionately benefit from that. So potential upside in that scenario. In terms of our own consolidation, we have heard from sellers more recently that certainty of close is more top of mind. So I think when we're competing with sponsors that gives us a little bit of an edge. But I think more often than not, our closest competition are going to be other strategics and probably other strategics that, like us, are funding most of their M&A from cash from operations, cash on their balance sheet. And so, I don't see any slowdown in flexibility or competition for those properties because remember, like we're competing for call it

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the top 10% in terms of quality and growth. And what we or any other competitor can afford to pay more than anything is a function of growth. And so that's a good thing.

That means that there is plenty of value to go around if you're targeting the right businesses. And for us, that takes a long-term view of not what the market's doing or what the financing market looks like, but what we can do together, there definitely is plenty of value to still go around. And what, you know, a sneaky opportunity that I think might be going on right now and that we've got evidence of from one of a recent deal is because there's so much talk about interest rates and the availability of capital and its impact on valuation, I do think some sellers are thinking maybe let's wait it out. And so there's businesses that are taking their time or hesitant to go to market.

The opportunity for us is that we love buying things that are not for sale and we're quite good at it. And an example of that is the fabulous wholesale business we closed on in July. That business was not for sale. So, we approached them. We've known them for years. We've been following them, been interested in them strategically for a long time. We were able to convince them that we're a destination of choice and that they could get a valuation again that reflects the long-term growth potential of them as a part of us, and we were able to win.

So we're actually even in the interest rate environment and the financing markets being what they are. We see a lot of opportunities like that for us.

### **Meyer Shields**

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. And then one follow-up question. Just in terms of the mechanics, we talk about retail. I want to make sure I things right. Retail brokers, wholesale panel consolidation. Is that a one year process for each of these brokers? Does it extend over time? Because it could be that we're – just there's enough continuation of activity from a couple of years ago that even if there's no M&A going on in the retail brokerage world, there's still upside to Ryan on day-to-day operations.

### Timothy W. Turner

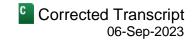
President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

We think there's a tremendous upside to this, Meyer. And really when you look back and it's a short history in terms of the consolidation of the use of intermediaries on the brokerage side with top 100 retailers, that really started when the advent of data analytics 2008-2009, when something that every big retailer knew using too many intermediaries was very costly in regulatory compliance E&O. And but now they had data around it and they had definitive inefficiency, cost they can identify. So they moved very quickly as often happens, the global brokers led the charge. The nationals quickly followed and in the last ten years, most top 100, even the regional retail brokers have consolidated their use of brokerage intermediaries, real important point here. And there's further iterations of that.

They many of them are using 400 or 500, 600 intermediaries. And they've cut that back in brokerage down to a handful, but there's constant re-qualifications in practice group verticals, this real important takeaway here, you don't just qualify as a firm. You really have to prove you're the best construction broker, you're the best professional lines broker, you have the best life science practice group and so forth that's a very specific interaction with most big retailers.

Now, keep that in mind. In the big picture, roughly 40%, 50% of the business involves delegated underwriting authority in some form or fashion, whether it's the big leagues of MGU, MGAs, program business, which is a layer of delegated underwriting authority. And of course, binding authorities that you're very familiar with, identified really a small commercial P&C. That remains completely unconsolidated.

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Retailer brokers haven't been able to get to that, mostly because the industry wasn't in a position to respond to it. Believe it or not, most of the product in those channels is proprietary. You can't take it on a broker record letter like you could brokerage. They could just move it with a letter. And delegated underwriting authority, in most cases, you have to replicate duplicate the product, very expensive. It's part of our moat, very difficult to build a bench strong enough with delegated underwriting authorities in all three bands and have enough product to move the business you literally have to replace it and in a hard market even more challenging.

But we're there. We're in a very strong position there to qualify for that. There's definite movement in the consolidation and the use of delegated underwriting authority intermediaries and a huge opportunity for us going forward.

### **Meyer Shields**

Analyst, Keefe, Bruyette & Woods, Inc.

All right. Fantastic. And again, I want to look around to see if there are questions. I want to focus on talent and recruitment and maybe expand that a little bit. We are blessed as an industry to have a number of journals that will publish articles whenever any broker moves from company A to company B and I don't – honestly don't know how accurately that reflects the level of available talent and the mobility of talent. I do think that it probably escalated during the Aon and Willis Towers Watson courtship, if you will. But I know the current state of it. In other words, how easy or difficult was the opportunity for recruitment now? How expensive is good underwriting talent, whether it's on the wholesale side, on the underwriting management side, and so if you could update us on those details of the market?

### Timothy W. Turner

 $\textit{President \& Director-Ryan Specialty and Chairman \& Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc. \\$ 

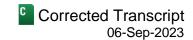
I can give you a general overview, I don't know my colleagues can pick it up from there. Generally speaking, we look at recruiting and developing talent in a myriad of fashions. One is direct individual and team recruiting existing professionals, many times competitors or they're in a different segment of the business where they want to make a transition to wholesaling or delegated underwriting authority. So that's one form of it. But training and developing and recruiting your own talent and kind of a manufacturing your own talent is kind of how we look at it. That was part of the foundation and the commitment that Ryan Specialty made right from the beginning. So we formed a university. We formed a very formal training program. And when we made the acquisition of All Risks, they were very good at that as well. We merged those programs together.

And today we can grind out at least 100 kids a year through the intern program in the Ryan University. And those kids can become very accretive on these mega teams that are now part of wholesaling. Today, it takes very large team to handle the flow that come from the retail community and the record-breaking percentage of non-admitted business that we have in the commercial market. So these kids get a faster education. We can accelerate their level of being accretive and contributing to the team.

So it's a combination of all those efforts that really can create a champion effort in terms of putting talent out on the field quicker than your competitors. And we pride ourselves in that. So it's a continuous effort across every segment that we're in. One, segments like cat property we saw this coming several years ago and we accelerated our attraction of talent, training of talent, and we're in very good shape. But maybe a little bit more on that [indiscernible] (00:23:56) space.



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#### Miles Wuller

President & Chief Executive Officer-Underwriting Managers, Ryan Specialty Holdings, Inc.

Yeah, sure. Look, we like to pride ourselves so as a destination of choice for underwriting talent as well. And I think there's a couple of big levers there. First, so underwriters know if they join us that they're joining a robust framework of resource to support them right. So, for someone to make the jump, they want to know that we can surround them with tools that are going to bring them back to market as fast as possible, right. So, introductions to capital, introductions to distribution, internal IT actuarial support. So, they know that they're – from the time they

jump to the time they're live again, we can shorten that more than most folks out there.

I think another part of our model and this is subtle, but by design, we've maintained 22 MGU brands within the marketplace as well as our national specialty program unit. So there is an extreme value in kind of promoting our entrepreneurial spirit all the way down to that individual MGU level right. And whether you call it esprit de corps or pride of place, those senior underwriters aspire to build their own brands alongside those MGU brands and that's truly invaluable and has gone a long way and we continue to promote that and they have direct alignment to those sells. There's obviously key culture elements we push down and are common, but they're allowed to have their own culture over time, right.

The underwriters supporting rec and warranty, their – example their former lawyers, their former accounts, they're going to have a much different culture than the marine or cat property team, right. And that's – it seems subtle, but it's gone a long way and we offer that dynamism to our employees.

### **Meyer Shields**

Analyst, Keefe, Bruyette & Woods, Inc.

So, I'm going to pose a follow-up question to Jeremiah, and I'm going to frame it numerically. But that's not necessarily how you need to answer it. How should we think about the rate of inflation for employee compensation costs, especially since talent is I mean, I think you're capitalizing on great opportunity, but it doesn't seem like insurance brokerage talent is more expensive, there we see more inflation, there may be other elements of an already tight labor market.

#### Jeremiah R. Bickham

Chief Financial Officer & Executive Vice President, Ryan Specialty Holdings, Inc.

No, that's accurate, competition in our space, especially in underwriting and brokerage, quite fierce as these gentlemen laid out, we feel very good about being able to compete for that talent. But what is the cost of them if you're able to convince them to join? It like every part of the labor market, it's up. But fortunately, on like the wholesale brokerage side for example, a 100% of the brokers' pay is variable. So, it's not affected by inflation in the same way. On the underwriting management side or the parts of our business that have salary and bonus, it's still a large component of that comp is highly variable. It's a very pay-for-performance model that we have.

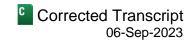
So like every business, we are affected by wage inflation. That's by far the part of inflation that's hitting us the hardest. But because the biggest expense item on our P&L is comp and because most of our comp is variable, we've been able to manage it.

### Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. And then if we can follow up on that in terms of other sources of inflation and the Ryan strategy for managing that, as you see just financial inflation works its way through the P&L?

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#### Jeremiah R. Bickham

Chief Financial Officer & Executive Vice President, Ryan Specialty Holdings, Inc.

Well, one impact of inflation that we've talked about is the correlation with premium rates rising were largely paid, almost entirely paid on commission. So to the extent that inflation drives premium rates up, that does have an upward trajectory on our revenue. On the cost side, since we've already talked about labor, there's a bunch of other expense items that are getting more expensive. But one of the benefits of ACCELERATE 2025 is that we are making even our non-compensation costs more variable.

So as we're able to buy services or buy capacity for certain, they call it back office functions. Our new model post-ACCELERATE will actually make those more variable too. So it will give us even more levers to pull. But quite frankly, we actually feel very good about our ability to manage costs. Like when I think back to the pandemic era 2022 and no one knew what was going to happen, us and a lot of the brokers showed an ability to react quickly and manage costs. So I think over the next few years post-ACCELERATE, we'll have even more tools and more levers to react.

Meyer Shields Analyst, Keefe, Bruyette & Woods, Inc.	Q
Okay. Fantastic. And again, if there are questions in the room, yes, [ph] Steve (00:28:57).	
	Q
How do you balance	
Meyer Shields Analyst, Keefe, Bruyette & Woods, Inc.	Q
We'll just bring you the mic. I'm sorry.	
	Q
Thanks. How do you balance the top line with margins? And do you consciously yield one for the other?	
Jeremiah R. Bickham Chief Financial Officer & Executive Vice President, Ryan Specialty Holdings, Inc.	A

Fortunately, our exceptional top line and so sort of we've talked about double digits as being the floor. That is — that gives you the ability to expand margin. And think back to 2019, we had a 25% margin. So we scale most years even on a reported basis, there's been a lot of noise in everyone's sort of cost basis the last couple of years because of inflation, underinvestment on T&E and things like that. But what we've said is that because of our exceptional growth and just our business model and the fact that we're not capped out on margin is that most years on a reported basis, you'll see operating leverage fall to the bottom line.

And our expectation as of right now is that, that actually resumes next year. Now, one of the benefits going back to ACCELERATE 2025 is because it's not a defensive cost cutting program, it's actually investment in a lot of efficiencies, getting better tools, more services, cheaper and faster to our teams. That's actually going to accelerate our annual margin scaling.

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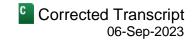


And so in 2025 for example, when that 35-plus million dollar of savings, most of which should fall to the bottom line shows up you'll actually see a step change in margin. And because of the processes and systems and tools and capabilities we've put in place, our annual basis points of margin is going to take a step up as well. So, I guess to answer your question, we feel like we're in a position to harness and capitalize both top line and margin.

Meyer Shields Analyst, Keefe, Bruyette & Woods, Inc.	Q
Okay. I don't know if there's anything else in the room, yeah, [ph] John (00:30:57).	
	Q
Yeah. Earlier you spoke about [indiscernible] (00:31:02). Is there like a rule of thumb, like 5% you focused ceach year or is it fluctuate for property – maybe and it probably varies by the line.	n
Timothy W. Turner  President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.  Yeah.	A
	Q
Can you frame it out in any way or is it not possible? Thanks.	
Timothy W. Turner  President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.	A
It fluctuates by line, by segment, by class of business. It's very defined into a particular product or class. And overall, I mean, you could look back at the cycles that we've been through, there were general P&C classes today the data analytics are so much stronger and so much more accurate that carriers, standard carriers, admitted markets can shed business and then pull it back in. And sometimes that's done on a very narrow to in the field. Sometimes it can be delegated an underwriting authority and into brokerage, there's really no particular product or class. And overall, I mean, you could look back at the cycles that we've been through, there were general P&C classes today the data analytics are so much stronger and so much more accurate that carriers, standard carriers, admitted markets can shed business and then pull it back in. And sometimes that's done on a very narrow to find the field. Sometimes it can be delegated an underwriting authority and into brokerage, there's really no particular forms.	s. But basis
Meyer Shields Analyst, Keefe, Bruyette & Woods, Inc.	Q
But you have enough notice to make sure that you're adequately staffed for the inflows and maybe the outfl	ows.
Timothy W. Turner  President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.	A

Yeah, definitely on the upside, we saw the market starting to turn. By the second quarter of 2019, we could see the damage being done on the standard admitted markets' balance sheets, loss leaders like transportation, construction, residential construction and several other classes of business doing so much damage and poor results being reported by the admitted market. We knew the dumping and the shutting and the flow of business coming into the channel was on the verge of increasing significantly.

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So we staffed up disproportionately really in anticipation of that. And we've done that consistently because the market didn't turn on a dime on one the entire market, it was really segment wise, niche, firming phenomenon that we were really tracking.

And we do that to this day, there's several more that we feel are coming. Hospital professional liability would be an example of that in healthcare. So you prepare for that. You build product, you recruit experts, you build teams, and you anticipate a huge increase in flow. And then it's really the challenge of absorbing it efficiently and delivering this high level of service, while you've got this big increase in demand. So we've got a lot of experience in that.

### **Meyer Shields**

Analyst, Keefe, Bruyette & Woods, Inc.

I want to follow up on that because you triggered a question that I've been curious about and I've been asking about this for years and years. In terms of why the standard industry can't get its arms around commercial auto. So let me ask it from your perspective, can the wholesale – can the non-admitted markets get their arms around commercial auto?

### Timothy W. Turner

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

It's a great question. And you see that every day in this market, the damage that auto, which is all encompassing, everything from 18 wheelers to livery to shared economy, everything in between. And today, first ever, at least in my career, private passengers just really doing a lot of damage. And that's social and economic inflation, these runaway nuclear verdicts really zeroing in that transportation for some reason.

And so how do we address that, that dumping and shedding, much of it is on admitted basis, and it's unique in that trucking, and any intrastate trucking has filings, federal filings. And so you have to be on an admitted form. So the only way around that is for these insureds to make adjustments and split their fleets up, so that we can take as much of it non-admitted as possible, so that we can get rate adequacy, right. So that's what we invested. It's a great illustration of anticipation of a niche firming phenomenon.

We saw this happening for the last two years and accelerated. And auto today is the worst it's ever been and so we made a lot of acquisitions like Crouse and Associates, who are experts in not just underwriting, delegated underwriting authority in transportation, they had a big brokerage team and we were short a little bit of brokerage talent in transportation on the West Coast. It was perfect timing and we picked up an MGU in the process.

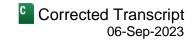
And on mile side of the house, we've been manufacturing product and building facilities in transportation. But the admitted part of it is really a delegated underwriting authority. Part of it that's in the binding authorities. That's where it lives. And that's taken some bumps even on our side of the business. It's very difficult in delegated underwriting of really commercial transportation to get rate. They're – those big companies like Nationwide and some others are fighting to get rate adequacy and they can't get it. So there are alternatives to non-renew, other large companies doing the same thing. That channel is flooded with opportunities today.

#### Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Okay. Again, I want to make sure I'm overlooking any questions here. One question I get and everything that you've been saying suggests that this hypothetical is becoming more and more remote. But what does Ryan Specialty look like in an actual soft market?

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### Timothy W. Turner

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

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I'm happy to take a crack at that. Well, Pat Ryan has been through five cycles. I've been through three. And we often have a coffee together and talk about that. And we don't ever remember not being able to get double-digit growth. So it's a market you live in. Soft markets are more prolonged and you certainly live in that state and you understand how that works.

Our needs or our clients' needs and the services we can provide far out reach us a cycle. And as we've talked about many times, the changes in the last four years have been structural, just huge changes that the number of risk-bearing insurance companies that are in the non-admitted space have gone up, record-breaking. There's over 100 companies that serve wholesale-only distribution line. So, that's a dramatic change.

The product that's in the space is deep. And then on the distribution side because of data analytics and retailers really consolidating their use of intermediaries, that's driven a lot more business into the channel. But the big driving force is the environment that we live in, in North America, a riskier society in casualty and liability. We don't see that changing classes like habitational business just get harder by the day and the losses are very damaging for the balance sheets. On the property side, we all read about it every day. No real light at the end of the tunnel, unfortunately. Global warming is doing tremendous damage. And so big shift, a structural shift of capacity into the non-admitted space, we don't see that going away. We see a long runway ahead for our needs. But, some softening in my opinion will be more niche-oriented.

Meyer	Shi	elds
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Analyst, Keefe, Bruyette & Woods, Inc.

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Right.

### Timothy W. Turner

President & Director-Ryan Specialty and Chairman & Chief Executive Officer-Ryan Turner Specialty, Ryan Specialty Holdings, Inc.

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Like you see in cyber and public D&O. But the losses are quick to return and carriers get – they get damaged when that happens. And then the shedding and the dumping starts all over again. So, I think you're going to see much more narrow changes in the marketplace, not broad based like we've seen in the past.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Right.

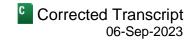
#### Jeremiah R. Bickham

Chief Financial Officer & Executive Vice President, Ryan Specialty Holdings, Inc.

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If I could tack on that, Meyer, every day, Ryan Specialty is looking to actually broaden its addressable marketplace, right. So 18 months ago, we entered the alternative risk marketplace and we've been growing attractively. We made two foundational investments in health and benefits a few months ago. And on the delegated underwriting side, that is still early in its penetration, right. When we started Ryan only 4% of the commercial P&C market was serviced through delegated underwriting authority. That's up to 14% with substantial runway left. And that's just – that 14% penetration does not include personal lines. It does not include reinsurance, it does not include addressable risk. So we're always looking for new products outside of our current set, including launching new facilities, adding capacity in new facilities. So those are the many tools that we're trying to bring to bear to always keep double digit growth.

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#### Miles Wuller

President & Chief Executive Officer-Underwriting Managers, Ryan Specialty Holdings, Inc.

And two silver linings to sort of add to that, because some softening is inevitable. It is when not – you don't know how deep, how long any of that. But I think from the perspective of our relationship with investors, in some ways we're looking forward to that because there's been market conditions that have just favored everyone. Everyone's put up exceptional growth. We get questions all the time like how much of this is just related to pricing or flow?

I think when things normalize a little bit more, it's an opportunity for us to stand out and for our growth to look that much more distinctive. And we're confident that we can rise to that occasion. And then the other potential silver lining or opportunity is that if a softening market is a catalyst for our retail clients to focus harder on executing the panel consolidation strategy, that is a huge potential opportunity for us to benefit.

### Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Okay, fantastic. And we look around the room one last time, but I do think we're at the end of our session. So please join me in thanking the Ryan Specialty team for a phenomenal session.

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