

Tolman, InWest team up

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Ventura-based Tolman and Wiker Insurance and Santa Maria-based InWest Insurance Services were set to announce on May 14 a merger to form the largest tri-county-based insurance brokerage, with combined gross premiums of \$250 million, 160 insurance agents and a fiercely independent culture.

The all-stock deal is expected to close by Jan. 1, 2005, and is a byproduct of friendly relations between the two firms over the past few years. During that time, Tampa, Fla.-based Brown & Brown Insurance bought three tri-county agencies and continues to grow nationally through acquisitions.

Principals at Tolman and Wiker and InWest created a structure of 17 partners in the new entity, TWIW Insurance Services LLC, to buck the smaller-agency-sells-out trend while creating the premium concentration many insurance carriers are starting to prefer. If the deal proves to be successful, it would give TWIW a place from which to buy other brokerage firms and preserve its autonomy.

"We're trying to become the premier brokerage firm on the Central Coast of California," said Randy Kinsling, managing partner of Tolman and Wiker. The combined entity would be among the top 100 insurance agencies in the United States when ranked by insurance agents, according to Tolman and Wiker and InWest.

Tony Cossa, chief executive officer of InWest, sees the merger as a promotion of the two firms' entrepreneurial spirits.

"Tolman was just a likely suspect because they were an independent group like we were," Cossa said. We are working for ourselves and not for some nationwide company who's going to tell us how to do things."



Randy Kinsling and Tony Cossa see a bright future for TWIW.

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The structure of the deal also underlines the commitment to staying independent.

The proposal does not involve cash, only the transfer of stock between the partners in the two firms. After the close of the deal, TWIW Insurance Services will have 17 shareholding partners, an agreement that prevents a small group of partners from deciding to sell the company to a national insurance agency.

"There's no plan for a sale, ever," said Greg Anderson, one of the Tolman and Wiker partners.

Cary Tolman founded the firm in 1923 in downtown Ventura, later partnering with Robert Wiker. Its first clients were oil companies and ranchers. Tolman and Wiker now has an international client base. The firm came to its current size through internal growth and acquisitions.

Founded in 1932, InWest also reached its current size through acquisitions.

Though the TWIW deal rests on similarities in corporate structure, profit levels and complementary markets and products, other factors played into it.

One major driver is a top-down change from insurance carriers wanting to deal with fewer, larger insurance agencies.

"It's a trend that shows no sign of abating whatsoever," said John Keefe, an insurance

analyst with Washington, D.C.-based investment bank Ferris, Baker, Watts. Keefe covers Brown & Brown.

Anderson said the merger should increase the level and variety of the services TWIW provides to its clients because the size of the new company should increase its favor with carriers.

"In the larger world in which we do business, insurers tend to prioritize their relationships based on the size of the companies they do business

with," Anderson said.

And the larger entity should expand the list of carriers TWIW could work with. "We're going to have additional carriers we can place business with," Cossa said.

Though both sides state the merger did not come about as a knee-jerk reaction to the deals made by Brown & Brown in the market over the past two years, those deals help put the TWIW merger in context.

Brown & Brown bought Santa Barbara-based MFC&V Insurance in January 2003. The firm added 26 agents to its California operations and took the fourth-largest independent brokerage house based in the Tri-Counties off the list.

Brown & Brown then picked up the sixth-largest firm based in the region, Santa Barbara-based Whilt, Fatch & Perry, and its 20 agents in February 2003. It went on to buy Santa Barbara-based Manchester Insurance Agency, with 18 agents, in March 2004. Manchester was the seventh-largest brokerage firm in the Tri-Counties at the time.

Not all firms are falling over dead to be acquired by large, publicly traded brokers, however. "Not everybody wants to work for Brown & Brown or Gallagher," Keefe said, referring to Itasca, Ill.-based insurer Arthur J. Gallagher & Co.