



Insurance Subrogation Market Update

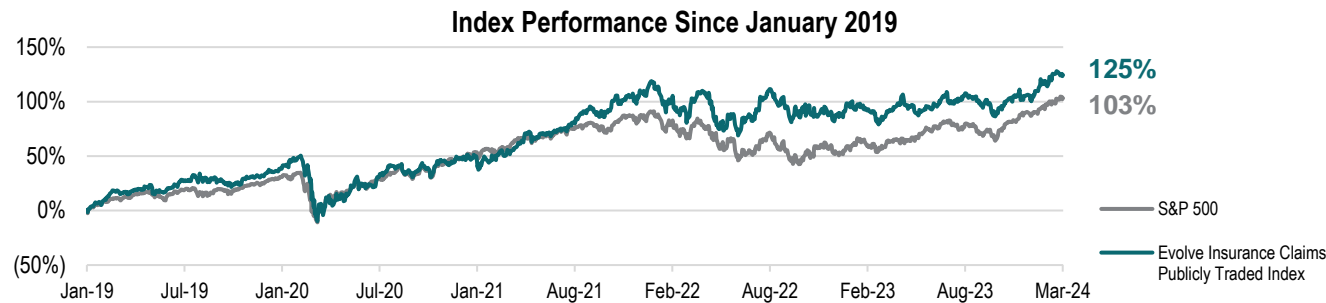
Spring 2024 Update

March 2024

Executive Summary

Preface

- Evolve Capital ("Evolve") has prepared a brief transaction activity and market update in the insurance claims sector with a deep dive on:
 - Subrogation and asset recovery companies**
- This is an area Evolve continues to be very active, as founders and management teams are increasingly considering their strategic options as the landscape shifts.
- Private equity has expanded participation in the space by backing proven, innovative, and technology-driven management teams.
- Valuations have remained relatively resilient in this subsector, as investors and buyers continue expressing interest and closing transactions.
- Since the start of 2019, Evolve's publicly traded index of claims firms has outperformed at 125 vs. 103% for the S&P 500.



- Firms that have embraced digital tools and upgraded their processes receive considerably stronger interest and commend higher valuations than peers in both the public and private markets.

Select Transactions

- Below is a summary of notable transactions in the space over the last year

October 2023



September 2023



April 2023



Insurance claims, adjusting and investigation firms are increasingly becoming attractive investment and acquisition targets, as underwriters are consolidating their vendor relationship.





Overview of Evolve Capital Partners

We Focus Exclusively On Technology-Enabled Solutions & Finance-Related Firms

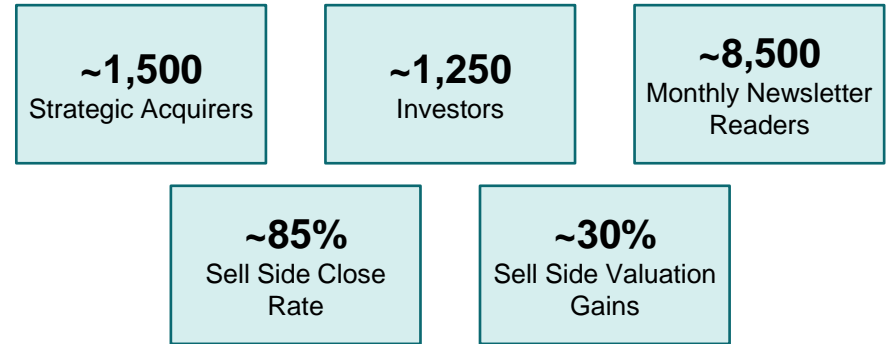
About Evolve

- Evolve Capital Partners (“Evolve”) is a specialized investment bank focused on the **Insurance** and Capital Markets sectors.
- Evolve was established in 2012 and we are based in New York, NY. Our location provides access to numerous strategic and financial partners who participate in and shape the financial services sector.
- Since inception, we have completed dozens of transactions across both M&A and financing transactions. Executive leadership teams, boards of directors, and investors engage Evolve for strategic advisory needs.

Our Clients

 Small and Medium Size Businesses & Corporations	 Management Teams	 Venture Capital & Private Equity Funds	 Independent Directors/Boards
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Evolve by the “Numbers”



Team Experience from Reputable Banking Institutions



Dedicated “high-touch” investment bank focused exclusively on financial services and technology firms with extremely nimble and highly connected team with deep reach into strategic and financial investors globally. Our team is comprised of bankers with deep experience at bulge brackets, private equity funds and strategic companies in the space.

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Recent Insurance Subrogation M&A Transactions

Precedent Transaction Activity

P&C Insurance Subrogation Services (1/2)







(All figures in millions of USD)

Announce Date	Target	Buyer	Comments / Transaction Rationale	Announce Date	Target	Buyer	Comments / Transaction Rationale
10/10/2023	 ARMSTRONG RECOVERABLE MANAGEMENT	 BHARCAP PARTNERS	The transaction will allow ARMStrong to grow its subrogation platform and primes it for further strategic acquisitions	11/7/2022	 SIAdvisers	 cia CUSTARD INSURANCE ADJUSTERS	The transaction will enable CIA to expand in the Canadian market while leveraging SIA's expertise and knowledge of adjusting, subrogation, and TPA services to provide superior services to its customers
8/7/2023	 Wwi &  SECONDLOOK	 subroIQ	These transactions will enhance SubroIQ's capabilities in identifying and pursuing subrogation opportunities and fortifies its position as a leader in P&C Subrogation	6/2/2022	 Inspection Connection	 LATITUDE SUBROGATION SERVICES	The transaction will expand the geographic footprint of LSS and its ability to handle specialty claims and unique auto estimates
4/17/2023	 EIMC	 Engle Martin	The acquisition helps Engle Martin expand its service capabilities in the ocean marine & technical risk services arena	2/9/2022	 safekeep	 ccc	The acquisition of Safekeep extends CCC's AI-powered claims software to include subrogation management, AI-enabled, and end-to-end claim solutions
4/13/2023	 AFIRM	 Davies	The transaction enables Davies to expand its operations in North America, boasting its claims solutions, insurance operations, consulting, and technology capability in P&C insurance markets	12/10/2021	 PARAGON SUBROGATION SERVICES LLC	 Fleet response	The acquisition of Paragon complements Fleet Response's overall product offering and adds significant scale and reach to its subrogation segment
3/1/2023	 SPARTAN Recoveries LLC	 Alacrity SOLUTIONS	The transaction will help Alacrity to enhance its capabilities to help bring subrogation solutions to more clients, while helping current clients get the most out of the combined platform	10/4/2021	 Praxis CONSULTING	 Crawford	The transaction will help Crawford leverage Praxis's execution capability, depth of expertise, and strong client relationships to increase its footprint in the claims ecosystem

Precedent Transaction Activity

P&C Insurance Subrogation Services (2/2)



















(All figures in millions of USD)

Announce Date	Target	Buyer	Comments / Transaction Rationale
9/9/2021	 NCB Management Services Incorporated	 TRIVE CAPITAL	The transaction will allow NCB to accelerate its portfolio acquisition growth strategy while continuing to grow the account servicing segment of its business
6/21/2021	 RECOVERYPARTNERS	 BROWN & JOSEPH	The transaction will strengthen the Brown & Joseph's portfolio of subrogation services currently offered to the P&C insurance industry
1/30/2021	 PARAGON	 BROWN & JOSEPH	The transaction will help Brown & Joseph's bolster its portfolio of subrogation services in the P&C insurance industry

Precedent Transaction Activity

Healthcare Insurance Subrogation Services

(All figures in millions of USD)

Announce Date	Target	Buyer	Comments / Transaction Rationale	Announce Date	Target	Buyer	Comments / Transaction Rationale
9/20/2023			The acquisition will enable Carelon to leverage HCSG's proprietary software which increases the scope and recovery opportunities for its clients	10/01/2021			The transaction will help Anomaly scale its precision payments platform across healthcare industry
9/22/2022			The transaction aligns Memorial Hermann with an organization that shares a vision for creating healthier communities in a cost-efficient manner	1/21/2021			This acquisition will diversify MultiPlan's payment integrity service line and expands its footprint into in-network claims and government programs
8/3/2022			The transaction will enable TSCP to leverage BRG's platform to accelerate its growth in subrogation space	6/25/2019			The transaction will allow UnitedHealth Group to merge Equian in its Optum Health services, expanding Optum beyond healthcare
12/7/2021			The acquisition of ClearCycle will accelerate Elixir's mission to serve US Government agency clients	9/17/2018			The investment will enable The Phia Group to expand and grow its operations in the healthcare cost containment market
10/29/2021			The transaction will help Alaffia scale its operations and expand its commercial footprint				

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Market Overview



Evolve
Capital Partners

Insurance Subrogation Market Overview

U.S. P&C & Healthcare Subrogation

Market Overview

- Subrogation occurs in the insurance sector when an insurance carrier attempts to recover a portion of damages paid to the insured from the at-fault party or parties in an insurance claim
- The most common source of subrogation recoveries are automobile accidents due to clear determination of faults and relatively simple adjusting process
- Subrogation can be broadly divided into two subcategories: **property & casualty**, and **health**

Key Trends



Expansion of subrogation targets: insurers are broadening the range of third parties they attempt to seek damages from, such as general contractors for homes not built to code



Increasing use of AI, predictive analytics, and other emergent technologies to identify subrogation opportunities and assist in recovery

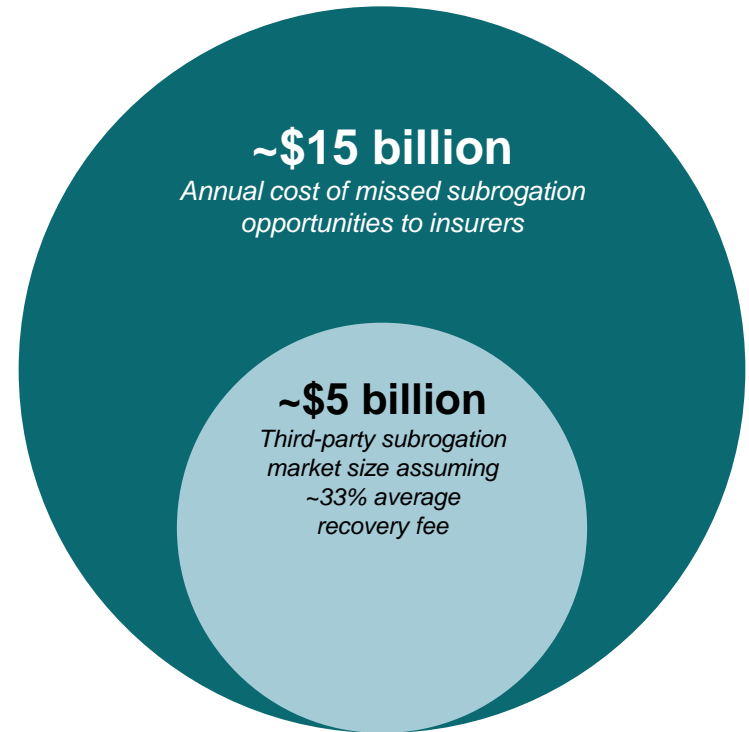


Increase in total subrogation values due to rising repair costs for both automobiles (labor shortage and parts shortage) and homes (rising cost of materials)



Continuing shift to outsourcing as carriers and insurers increasingly rely on third-party vendors with specialized knowledge and expertise for tertiary business functions



Insurance Subrogation Market Size



Outsourced subrogation services represents a ~\$5 billion market across property & casualty and health insurers

Insurance Subrogation Market Overview

U.S. P&C & Healthcare Subrogation

	Property & Casualty	Healthcare
Overview	<ul style="list-style-type: none"> Recovery of personal and commercial property damage, including homes, commercial properties, and automobiles Injured party's insurer will typically pay upfront, and seek reimbursement from damaging party and their insurer 	<ul style="list-style-type: none"> Recovery of costs for medical treatments for injuries caused by third parties Injured party's payor will typically pay upfront, and seek reimbursement from damaging party and their insurer
Covered Situations	<ul style="list-style-type: none"> Automobile damage from car crash Home damage from negligent neighbor Commercial property damage from break-in 	<ul style="list-style-type: none"> Personal injuries from car crash Personal injuries where one party is at-fault (e.g., a fight where one party is the clear aggressor) Overpayment of medical benefits
Complexity	<ul style="list-style-type: none"> Relatively low complexity as recoveries are typically dictated by simple determination of fault and local property laws Process involves insurance adjuster and other contractors to assess monetary value of property damage 	<ul style="list-style-type: none"> Relatively high complexity as cases involve complex legal situations involving health insurance policies, personal injury law, and criminal law Determination of fault can be complex depending on damages and jurisdiction Providers must maintain strict HIPAA compliance throughout process while communicating with multiple stakeholders (payors, insureds, law enforcement, legal counsel, insurance adjusters)
Key Competitors		

Key Technology Trends in Subrogation



Usage of Advanced Predictive Analytics & AI To Identify Subrogation Opportunities



- Learned AI models allow subrogation companies to automate key elements of the claim discovery process and find new opportunities (especially in small balance)
- Human oversight remains key to maintain compliance and improve AI models



Technology Enablement of Recovery Process



- Workflow automation and customer relationship technology allows companies to more efficiently build and maintain relationships with stakeholders in a recovery process
- Technology in recovery remains a key enabler, but not replacement for human interaction



Internet-of-Things and Big Data



- The advent of Big Data and internet-enabled data devices allows for more accurate and faster resolution
- New data sources allow insurance companies and other stakeholders to quickly determine fault and assign monetary value to claims



Stakeholder Connectivity



- New processes connect various disparate stakeholders in the subrogation process, including insurance companies, adjusters, law enforcement, and the injured
- Connectivity streamlines previously manual and time-consuming processes, leading to better outcomes



Remote Flexibility to Drive Talent Recruiting and Retention



- Subrogation work is uniquely suited to remote work given the fragmented stakeholder base that needs to be managed and national / global nature of claims
- Companies that offer remote flexibility maintain a competitive advantage in both recruiting and service delivery

Subrogation is at an Inflection Point for Investors



Past State: Legacy Systems

Current State: Tech-Enablement

Future State: Automation & Full Adoption

- Mainly focused on larger, more litigious claims with binary (recovery / no recovery) outcomes
 - High recovery cost associated with each attempt due to complex nature of each claim
 - Limited opportunity and usage of technology as each recovery attempt was unique and needed personalized attention
 - Limited universe of recovery opportunities
 - Low investor interest and investment
- Expansion of subrogation footprint to include small balance claims (e.g., dental claims) that were previously ignored
 - Technology such as AI allows subrogation companies to identify opportunities that were previously written-off due to high labor cost needed to identify and recover
 - Decreasing recovery costs as technology makes recovery process repeatable and efficient, and previously manual processes are automated
 - Increasing investor interest and investment
- Continued investment into technology and automation to augment human capital
 - Full adoption of technology across the industry, including large claims and other legacy processes
 - “Flight to quality” and consolidation as carriers reward third-party servicers with strong technology and differentiated outcomes
 - Peak investor interest and investment

The subrogation industry has seen rapid change over the last decade and has become a highly attractive area of investment. Continued development and adoption of technology will reward tech-forward, quality servicers in the industry and increase investor interest.

Claims Market Overview

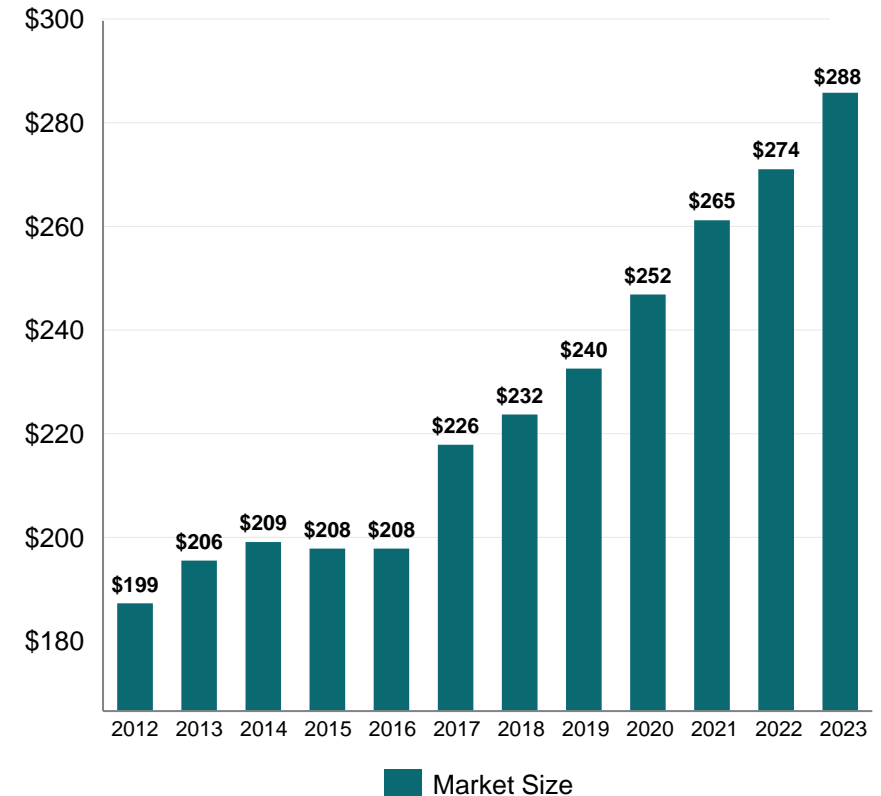
U.S. Third-Party Administration (“TPA”) & Loss Adjusting

Insurance Post-Loss Services Market Map

Subrogation / Recovery	National Subrogation Services	LATITUDE SUBROGATION SERVICES	PARAGON SUBROGATION SERVICES, INC.	SUBROSMART.
TPA	Charles Taylor	Helmsman Management Services LLC	GALLAGHER BASSETT	MERTAIN™ HEALTH An Aetna Company
	Davies	ESIS®	VANGUARD 25 YEARS OF SERVICE	
Adjusters	RENFROE	LIA Lezano Insurance Adjusters, Inc.	eberl	PILOT CATASTROPHE SERVICES, INC.
	ROYAL SOLUCTIONS SERVICES, LLC	Alacrity SOLUTIONS	CNC CATASTROPHE & NATIONAL CLAIMS	
Risk Management	CORVEL	ESIS® YORK Risk Services Group	Albert Risk The Independent Solution	Helmsman Management Services LLC
	ALPHA RISK MANAGEMENT SERVICES	CORPORATE RISK SOLUTIONS	riskinternational	
Claims Processing	Crawford	YORK Risk Services Group	sedgwick®	
Loss Prevention	RRI	FM Global	LOSS CONTROL SERVICES, INC.	

Key U.S. TPA & Loss Adjusting Market Statistics

Market Size
(USD, in Billions)



Public Company Comparables

Claims Management Services

(All figures in millions of USD, except per share data. Data as of March 13, 2024)

Company Information		Market Data			Operating Performance							Valuation Multiples					
Company Name	Stock Price	% of 52-Wk. High	Market Value	Enterprise Value	LTM		Growth Rates:			LTM Margins:		EV / Revenue			EV / EBITDA		
					Revenue	EBITDA	CY 2024	CY 2025	LT	Gross	EBITDA	LTM	CY 2024	CY 2025	LTM	CY 2024	CY 2025
Brown & Brown, Inc.	\$85.51	98.8%	\$24,439	\$27,747	\$4,205	\$1,381	18%	9%	16%	48%	33%	6.6x	6.6x	6.0x	20.1x	17.7x	17.6x
Genpact Limited	\$33.79	73.1%	\$6,107	\$7,022	\$4,477	\$726	2%	3%	6%	35%	16%	1.6x	1.6x	1.5x	9.7x	8.4x	8.1x
ExlService Holdings, Inc.	\$31.01	86.3%	\$5,141	\$5,121	\$1,631	\$280	15%	11%	16%	37%	17%	3.1x	3.1x	2.8x	18.3x	14.7x	13.2x
CorVel Corporation	\$236.90	89.3%	\$4,050	\$3,975	\$774	\$121	NA	NA	NA	22%	16%	5.1x	NA	NA	32.9x	NA	NA
Conduent Incorporated	\$3.18	83.5%	\$668	\$1,809	\$3,722	\$235	(4%)	1%	NA	22%	6%	0.5x	0.5x	0.5x	7.7x	4.8x	4.9x
Crawford & Company	\$7.81	57.8%	\$384	\$637	\$1,267	\$86	7%	4%	13%	28%	7%	0.5x	0.5x	0.5x	7.4x	5.4x	5.3x
MEAN							8%	5%	13%	32%	16%	2.9x	2.5x	2.3x	16.0x	10.2x	9.8x
MEDIAN							7%	4%	14%	32%	16%	2.4x	1.6x	1.5x	14.0x	8.4x	8.1x

Public Market Commentary

- Crawford & Company entered the subrogation market in October 2021 with the acquisition of Praxis Consulting, a US-based subrogation claims management and recovery provider, demonstrating the demand for specific, niche assets such as subrogation firms by diversified service providers
- Subrogation is an important part of Genpact's strategy; Genpact released a case study in 2022 highlighting the impact of data analytics and augmented intelligence in subrogation
 - Genpact built a subrogation analytics engine for an auto insurer, which boosted subrogation recoveries by 10% in the first 18 months, reduced time to recovery, and created capacity for the insurer to focus on more complex cases

Public Company Comparables

Healthcare Administration

(All figures in millions of USD, except per share data. Data as of March 13, 2024)

Company Information		Market Data			Operating Performance							Valuation Multiples					
Company Name	Stock Price	% of 52-Wk. High	Market Value	Enterprise Value	LTM		Growth Rates:			LTM Margins:		EV / Revenue			EV / EBITDA		
					Revenue	EBITDA	CY 2024	CY 2025	LT	Gross	EBITDA	LTM	CY 2024	CY 2025	LTM	CY 2024	CY 2025
UnitedHealth Group Incorporated	\$488.00	88.0%	\$449,904	\$497,874	\$371,622	\$35,130	15%	8%	12%	24%	9%	1.3x	1.3x	1.2x	14.2x	13.7x	12.4x
The Cigna Group	\$348.72	99.9%	\$101,950	\$125,221	\$195,187	\$10,722	8%	20%	6%	13%	5%	0.6x	0.6x	0.5x	11.7x	10.5x	9.3x
CVS Health Corporation	\$75.08	90.2%	\$94,484	\$162,589	\$356,623	\$18,439	11%	4%	0%	15%	5%	0.5x	0.5x	0.4x	8.8x	8.1x	8.3x
Humana Inc.	\$345.20	63.8%	\$41,613	\$32,951	\$106,374	\$4,902	15%	5%	3%	17%	5%	0.3x	0.3x	0.3x	6.7x	5.8x	8.2x
Evolent Health, Inc.	\$33.75	92.0%	\$3,844	\$4,474	\$1,964	\$127	45%	26%	252%	23%	6%	2.3x	2.3x	1.8x	35.1x	23.0x	17.6x
MultiPlan Corporation	\$0.82	35.8%	\$528	\$5,040	\$962	\$593	(11%)	7%	NMF	76%	62%	5.2x	5.2x	4.9x	8.5x	8.2x	7.8x
Clover Health Investments, Corp.	\$0.81	49.4%	\$393	NA	\$2,036	(\$185)	(43%)	(36%)	NMF	13%	(9%)	NA	NA	NA	NA	NA	NA
MEAN							6%	5%	55%	26%	12%	1.7x	1.7x	1.5x	14.2x	11.5x	10.6x
MEDIAN							11%	7%	6%	17%	5%	1.0x	1.0x	0.9x	10.2x	9.3x	8.8x

Public Market Commentary

- UnitedHealth Group, through its OptumInsights platform, is a market leader in healthcare subrogation
 - Optum purchased Equian, a claims analytics company in 2019 to substantially increase Optum's subrogation and other claims data analytics and clinical review capabilities
 - Optum has purchased several other data analytics and technology businesses, allowing the unit to leapfrog competitors in capability and scale. Notable acquisitions include The Advisory Board Company's healthcare business (2017), Equian (2019), and Change Healthcare (2022)

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