2025

Property & Casualty Insurance Brokerage

Report

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Smythe Property & Casualty Insurance Industry Report

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Contents

DEAR READERS,

This is the 10th Edition of the Smythe Insurance Brokerage Industry Report. For well over a decade now, we at Smythe have endeavored to put together as comprehensive a report as possible on the state of the Canadian property and casualty insurance brokerage industry.

In this report, we share an analysis of survey responses and market data to explore current and emerging trends in the industry, as well as a snapshot of the financial performance of various insurance brokerages across the country.

All information was provided to us voluntarily and is held in the strictest confidence. We have only presented data in the aggregate, and in some cases, we have excluded data that we believed could be used to identify participants.

For our analysis, we also relied on our own proprietary database, which we believe is one of the largest available databases of independent brokerage financial performance information in Canada.

The report also contains a significant amount of editorial opinion based on the collective experience of the Smythe Property & Casualty team, which includes Chartered Professional Accountants (CPA), Chartered Business Valuators (CBV), M&A Advisors and Tax Specialists.

As always, we would like to extend our gratitude to all those who chose to participate in this survey. Our goal with this report is to provide practical insight and contribute meaningful research that supports the long-term health of the brokerage industry. None of that would be possible without the trust placed in us by brokerage owners across Canada. Thank you to those who took the time and effort to complete our surveys and share with us their financial data.

Sincerely,

Smythe LLP

About Smythe's Insurance Group

Formally established in November 2013, the Smythe Insurance Group provides our clients in the industry with a full range of professional services in areas including accounting, tax, corporate finance, valuation and M&A consulting.

Smythe's Insurance Advisory Practice

INSURANCE PRACTICE HIGHLIGHTS

30+

Completed Brokerage M&A Transactions in the past 5 years

$1B+

Cumulative Enterprise Value realized

60+

Brokerage Valuations

45+

Ongoing Insurance brokerage accounting, tax and general consulting clients

10

Experienced professionals

Core Services

- **Brokerage valuation & sell-side M&A advisory**
- **Buy-side M&A including Quality of Earnings review**
- **Internal Succession including tax planning**
- **Accounting and tax compliance for insurance brokerages**

Our **Team**

Alex Wong – Advisory Partner & Practice Group Leader, CPA, CA CBV

Alex focuses on M&A advisory services with a specialty in P&C brokerages. He has been involved in over 30 transactions in the insurance industry, with enterprise values ranging from $5 million to over $300 million. His expertise focuses on negotiating and executing M&A transactions, financial due diligence, business valuations, financial modelling and succession planning.

Alex is a founding member of Smythe's advisory practice. He has over 20 years of experience in advising private companies on acquisitions, divestitures, valuations, tax and accounting matters.

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Gagan provides advisory services to insurance brokerage owners across Canada in the context of succession planning and strategic advisory.
His focus is on business valuations and M&A deal execution, including management buyouts. Over the past five years, Gagan has advised on transactions worth over $800 million, including acquisitions, divestitures, and equity and debt financings.

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Maggie provides Canadian tax compliance and tax planning services to both private and public companies in a variety of industries. She focuses on personal and corporate tax planning for owner-managed businesses, as well as mergers and acquisition transactions.

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Kyle provides business advisory, assurance and taxation services mainly to privately owned Canadian businesses. He has over 20 years of experience working with clients across industries, with a specialization in property and casualty insurance brokerages.

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kinginsurance DIVESTITURE	FX INSURANCE BROKERS DIVESTITURE & TAX	ELEVATE INSURANCE BROKERS DIVESTITURE	DfI Del fisher Insurance DIVESTITURE	CAIN Insurance Services Ltd. DIVESTITURE
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JIM KELLY INSURANCE BROKERS LTD. DIVESTITURE	FRONT ROW INSURANCE BROKERS INC. Entertainment Specialists M&A TAX ADVISORY	UNION POWER INSURANCE BROKERS DIVESTITURE	NAVIS MARINE INSURANCE BROKERS M&A TAX ADVISORY	knightarcher insurance brokers VALUATION & DEBT FINANCING

Our Past **Projects**

We have advised brokerage owners on a wide range of transactions. These include full divestitures, equity investments, and internal successions involving family members or employee groups. The following list reflects the diversity of client goals and deal types we have supported.

Canadian P&C **Insurance Landscape**

The property and casualty (**P&C**) insurance industry plays a critical role in the Canadian economy. Property insurance provides financial protection in the event of damage to physical property or valuable possessions such as automobiles and buildings. Casualty insurance mainly covers legal liability against individuals and organizations for negligent acts or omissions. Insurance is an effective way of spreading risk by having an entire group share the losses of a small group. These two types of insurance are also known collectively as “general insurance” as they encompass much of what customers demand.

Two key players in the distribution chain of the insurance industry are insurance companies (also known as underwriters or insurers) and brokers.

The insurance company is usually the one who evaluates risks, sets coverages and premium rates, and collects those premiums from customers upfront to insure risk. They then use this pool of funds to pay out claims and for other operating expenses. There is often a gap between when a premium is collected and when a claim needs to be paid out, which creates a capital pool that the companies can then use to invest. Brokers are generally the final link in the chain, acting as an intermediary between the insurance company and the customer (individual or business). Brokerages can represent multiple insurers, offering their customers options for any type of insurance. Insurance agents, on the other hand, only represent a single insurance company. There are also insurance companies that sell and deliver policies directly to policy holders; these are known as direct writers.

The financial model of the insurance industry allows a customer to pay their premium either directly to the insurance company (known as a direct bill) or to the broker (agency bill).

Brokerages make the majority of their income from premium-based commissions (i.e., a flat percentage of premiums that varies across lines of business and insurers). This commission typically ranges from anywhere between 11% and 25% depending on the type of policy purchased. In the case of an agency bill, the broker will collect the premium and remit it to the insurance company net of the agreed commission. With a direct bill, the insurance company will collect the premium and then pay the broker the commissions earned.

Insurance brokers may also receive contingent profit commission (CPC). A CPC is paid if a broker places profitable business with the insurer. CPC is generally calculated based on the percentage of claims paid to premiums earned (earned loss ratio) along with the volume of business placed with the insurer. The lower the earned loss ratio, the greater the CPC. These payments can therefore vary significantly from year to year.

Effective January 1, 2023, Canadian insurers transitioned from recognizing revenue based on direct premiums written to recognizing insurance revenue that reflects a number of assumptions to arrive at an estimate of the earned portion of premiums over the coverage period. In 2024, total premiums written in Canada amounted to approximately $99.5 billion[1] while insurance revenue amounted to $107.8 billion, excluding the Insurance Corporation of BC (ICBC) and Manitoba Public Insurance (MPI).

Total insurance revenue of the top ten insurer groups account for approximately 63% of the market – an increase from the 60% they controlled in 2023.

1 All financial metrics regarding insurance companies are from MSA Research

Despite continued consolidation, the overall market is still competitive. Intact is the only player that has a market share above 10%. While all of the top 10 insurers increased their market share slightly, all insurers saw premium growth over the past five years that was relatively in-line with increases in the overall market.

The Canadian P&C insurance market can be broken into four major lines of business: automobile, personal property, commercial property and liability. The split between all of them is shown in Figure 2.

Figure 2: Canadian Market by Line of Business

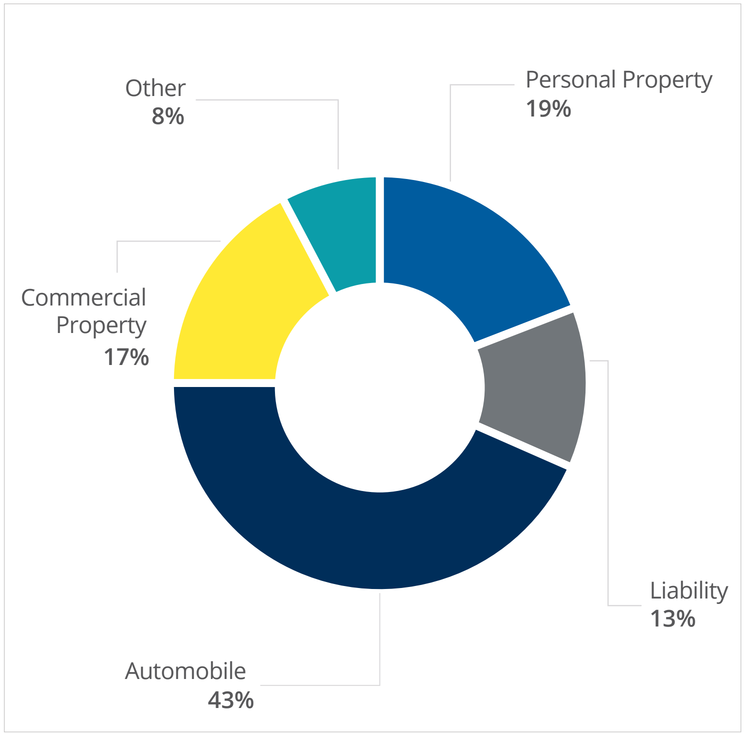


Figure 1: Canadian Market Share

CAD (MILLIONS)	REVENUE	MKT SHARE	YOY % CHANGE	MKT. SHR. % CHANGE
Intact Financial	$16, 101	14.9%	6.8%	0.18%
Desjardins	$10,405	9.6%	12.0%	0.56%
Aviva	$8,842	8.2%	9.8%	0.32%
Lloyd's Underwriters	$6,980	6.5%	11.3%	0.34%
Security National	$5,545	5.1%	13.4%	0.36%
Co-operators	$5,350	5.0%	13.0%	0.33%
Definity	$4,254	3.9%	10.6%	0.18%
Wawanesa Mutual	$3,670	3.4%	10.0%	0.14%
Northbridge	$3,354	3.1%	15.8%	0.28%
Allstate	$2,987	2.8%	6.0%	0.01%
Other	$40,344	37.4%	-1.7%	-2.71%
Total	**$107,833**	**100.0%**	**5.5%**	**0.00%**

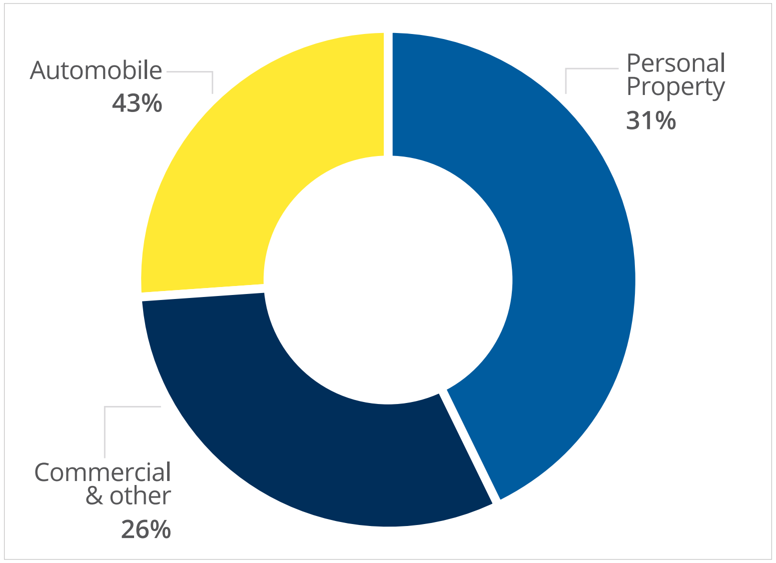
Based on 2024 direct premiums written of $99 billion, we estimate commissions by line of business and province as follows:

Figure 3: Estimate of Size of Canadian P&C Brokerage Commissions

CAD (MILLIONS)	AUTO	PERSONAL PROPERTY	COMMERCIAL PROPERTY	LIABILITY AND OTHER	TOTAL	MARKET SHARE
Newfoundland and Labrador	64	68	39	31	202	1%
Prince Edward Island	16	8	11	10	45	0%
Nova Scotia	119	113	72	74	378	2%
New Brunswick	95	87	61	53	296	2%
Quebec	793	893	763	620	3,068	18%
Ontario	2,253	1,518	1,020	1,499	6,290	38%
Manitoba	114	123	129	101	468	3%
Saskatchewan	156	136	165	94	551	3%
Alberta	769	666	586	495	2,516	15%
British Columbia	778	681	665	564	2,689	16%
Yukon	6	5	7	5	23	0%
Northwest Territories	6	4	9	6	25	0%
Nunavut	1	1	11	4	17	0%
Outside Canada	4	1	40	54	100	1%
Total	**5,174**	**4,307**	**3,578**	**3,609**	**16,668**	**100%**

Using the following rates, we have estimated the commissions paid by insurance companies:
- Automobile: 12%
- MPI & ICBC auto: Based on ICBC & MPI annual reports
- Personal property: 20%
- Commercial property: 20%
- Liability and other: Various

Figure 4: Canadian Sales Mix



It is important to note that commissions can vary widely depending on the insurance company, use of MGAs, Lloyd's, special programs and the negotiating leverage of the brokerage.

Survey on **Industry Trends**

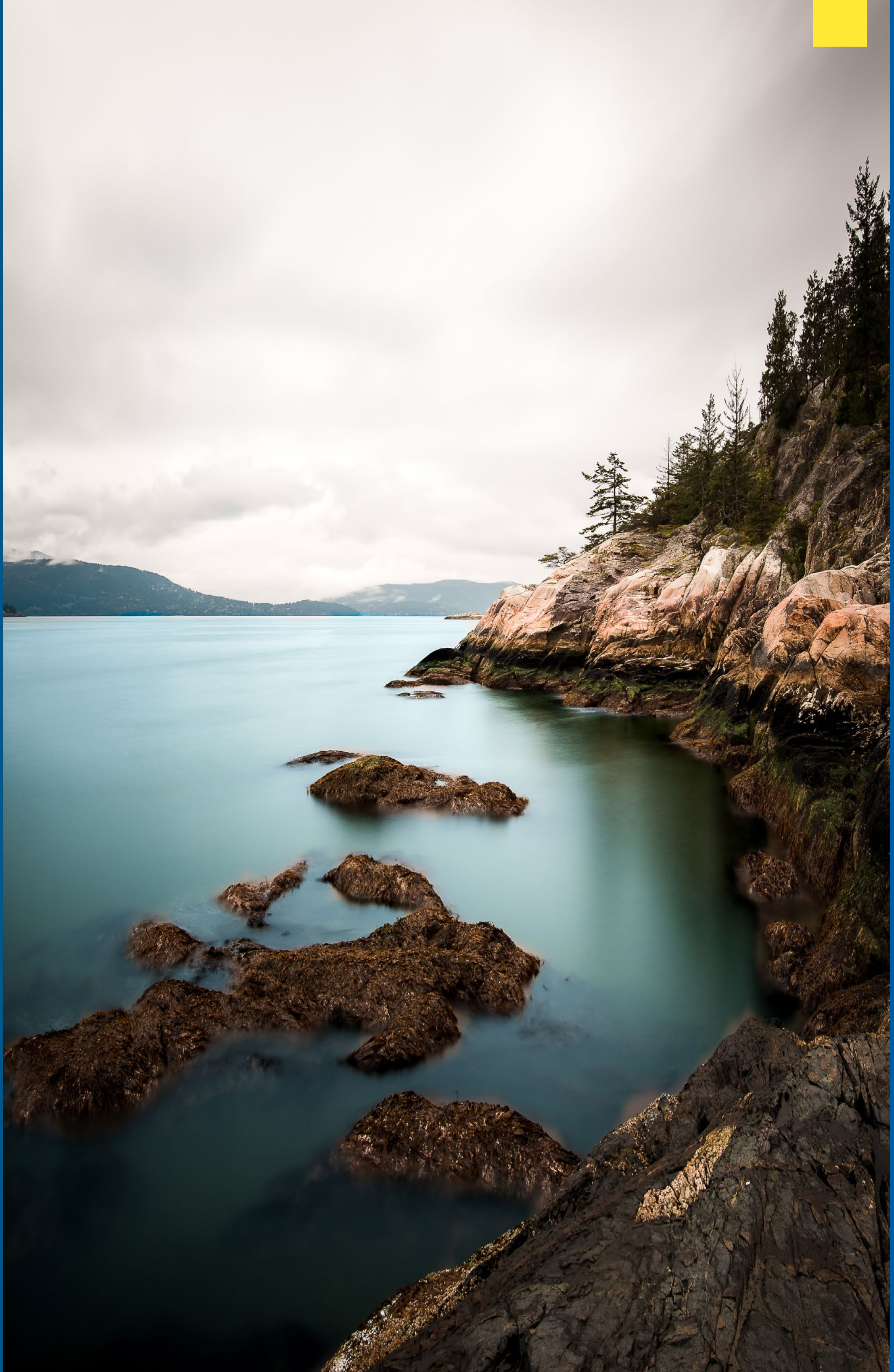
We surveyed insurance brokerage owners and senior executives in May 2025. Part 1 of this report looks at their opinions, compares the results to our last report in 2023, and provides our analysis of what they had to say.

Industry & Economic Trends

Economic risk still sits high on the list of brokerage concerns. 64% of respondents continue to name inflation as a concern, while 48% remain uneasy about recession. These results are consistent with the previous survey. Neutral views fill most of the remaining space: 17% for inflation, 25% for recession. Only one respondent in five disagrees that inflation is a threat, and just over one in four disagree on recession. The balance shows that few leaders have written macro headwinds out of their operating plans.

Tariffs add a new macro layer that did not feature in the prior survey. 60% of owners believe the impact of tariffs could prompt clients to reduce or cancel coverage, marking tariffs as a direct revenue risk. 40% expect carriers to tighten underwriting capacity, creating potential placement challenges. Not all effects are negative: 44% see a chance to win accounts displaced by tariff-related cost rises, and 33% foresee premium-driven revenue gains. Even so, the majority classify the overall profitability effect as neutral, signaling caution rather than opportunity chasing.

Expectations for the hard market have eased. Fewer than half of respondents, 47%, now believe hard conditions will persist and slightly more than half, 53%, are concerned about the potential impact of hard markets. However, there is a considerable divide in responses between commercial and personal lines focused brokerages. Among commercial-heavy brokerages, only 15% still anticipate an extended hard market and 30% are concerned about the potential impact. In personal lines the picture reverses: 56% of brokerages expect hard-market pressure to continue and 62% are concerned about potential impacts.



Regulatory complexity moves higher on the risk table. 58% of respondents call compliance a concern, up from just over half two years ago. Only one in ten respondents disagree that this is a concern.

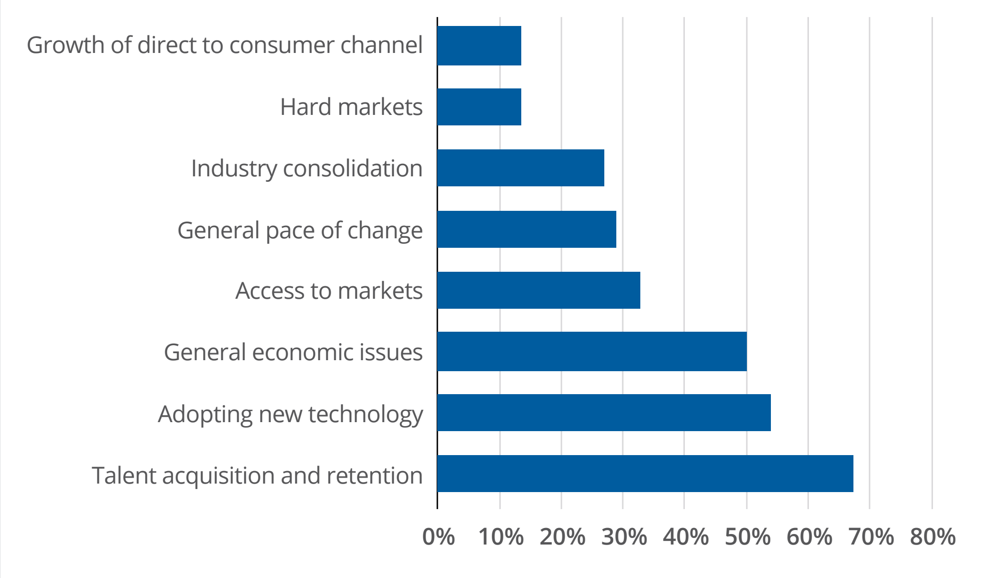
Competitive forces continue to shape strategy. Direct-writer pressure concerns 51% of brokerages. Similar to the divide in hard market concerns between commercial and personal focused brokerages, all the respondents concerned about direct writers were from personal lines focused brokerages. Direct channels are most disruptive in personal-auto and low-touch household packages, where price messaging can erode broker value.

Consolidation weighs on 40% of respondents, who note that it is difficult to compete against the financial and technological resources of the national brokerages. On the other hand, nearly 30% of respondents disagreed that consolidation is a concern. Many of these brokerages identify consolidation as an opportunity to pick up clients and personnel that do not want to be with a national brokerage.

While all the above items are on the minds of brokerage executives, when asked to list their top three challenges, the majority of respondents selected talent acquisition and retention (67%), adopting new technology (54%) and general economic issues (50%). Market conditions, the pace of change, consolidation and growth of direct writers were selected by less than one-third of respondents.

Taken together, the 2025 results show that macro-economic anxiety has not meaningfully receded. Inflation, recession and the new tariff variable keep external risk in the foreground, while hard-market vigilance persists—especially in personal lines. At the same time, talent shortages and technology needs demand equal or greater attention. Brokerage performance will hinge on balancing these external pressures with internal execution, ensuring that cost controls, staff capability and system resilience can absorb whatever the wider economy delivers.

Figure 5: Top 3 Challenges



Growth Outlook

Brokerages remain optimistic about organic growth opportunities, with 71% expecting significant opportunities in addition to rate increases.

Commercial lines dominate the growth strategy for all brokerage types, with 92% of respondents stating that they are looking to focus on commercial lines growth. General personal lines follow at 77%, while a specific focus on auto is only 28%. A small minority of brokerages are looking to diversify beyond core P&C with group benefits, life insurance and wealth management coming in at 17%, 11% and 10%, respectively.

While almost everyone is focusing on commercial lines growth, the expected growth is measured with 40% of brokerages expecting growth to be under 5% in 2025 and 28% expecting it to be between 5%-10%. This likely is a reflection of the softening commercial lines market where brokerages cannot rely on rate increases to drive growth. Optimism increases for 2026, where over 40% of brokerages expect commercial lines growth to be between 5-10%.

Figure 6: There are significant organic growth opportunities

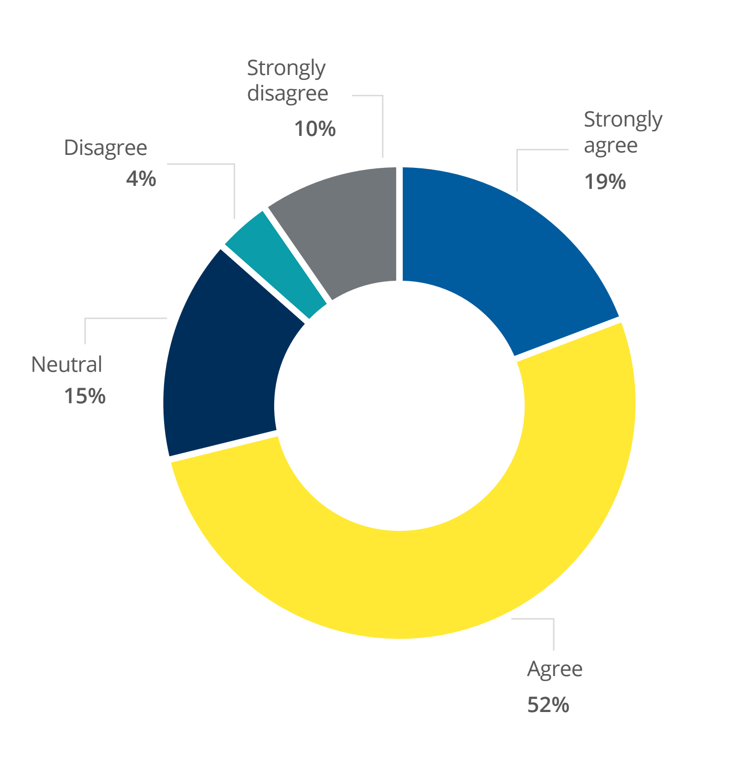
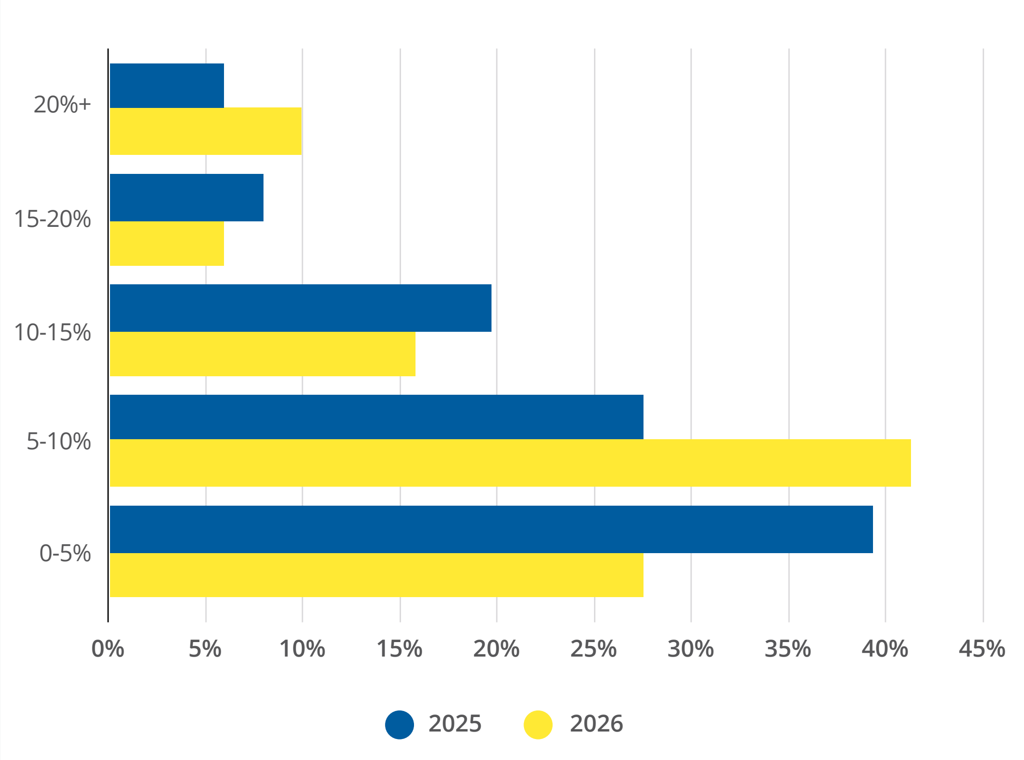


Figure 7: Commercial Lines Growth Forecast



Forecasted personal lines growth in 2025 is slightly more optimistic with nearly 40% expecting growth of 5-10%. The expectations for 2026 are similar, with a small percentage of brokerages increasing their growth outlook to 10-15%. Part of the difference in growth forecasts between personal and commercial lines is the continuing hard market that personal lines is facing.

Compared to 2023, brokerage sentiment for the two main organic growth strategies – mining existing clients for additional opportunities (79%) and increasing headcount of the sales team (50%) – remains virtually unchanged. It's not surprising that the majority of brokerages are focusing on mining existing clients as it leverages existing relationships and should require less investment than other strategies.

Surprisingly, specialization and increased online presence dropped by 15%-38% each. Commercial brokers often tout specialization as a way to differentiate from their competition, so it is interesting to see that only 38% of respondents are looking to increase specialization despite almost all stating that they want to grow their commercial lines. On the other hand, adding new products jumped nearly 15%-48%.

Acquisition appetite is steady. 46% of brokerages include acquisitions or mergers in their plans, mirroring the 2023 survey. Almost all these brokerages identified growing their client base as a major purpose of the acquisition. Approximately one-third are also looking at acquisitions as a way to gain personnel and specialized expertise. A small minority are looking acquisitions for geographic expansion.

Of the brokerages that are not pursing M&A, 60% cited the fact that they believe other growth opportunities are sufficient to meet their objectives. Given the current record high valuations for brokerages, surprisingly only 20% of respondents identified unaffordable pricing as the factor holding them back.

Figure 8: Personal Lines Growth Forecast

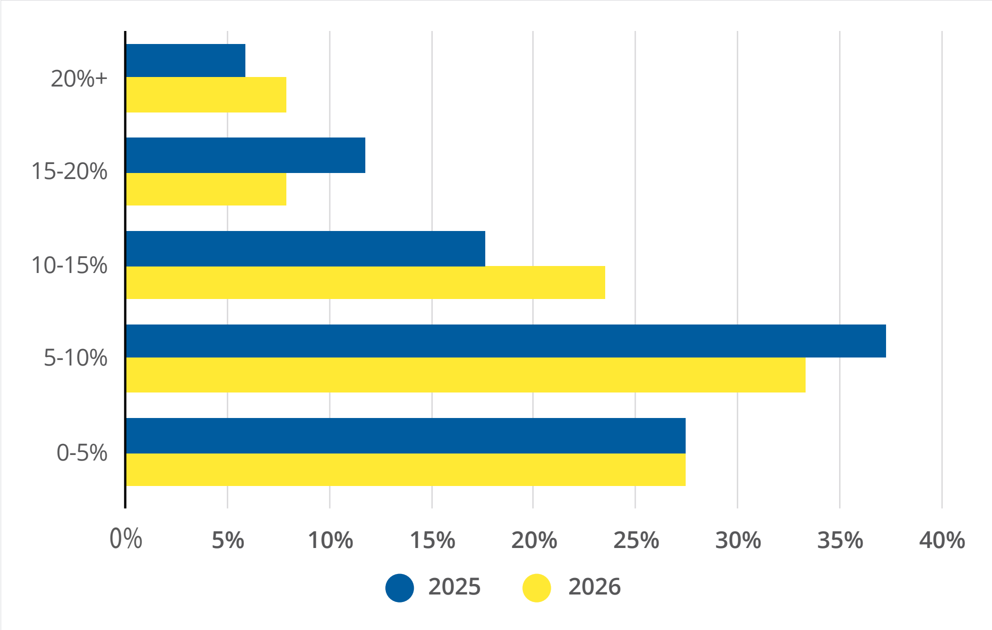
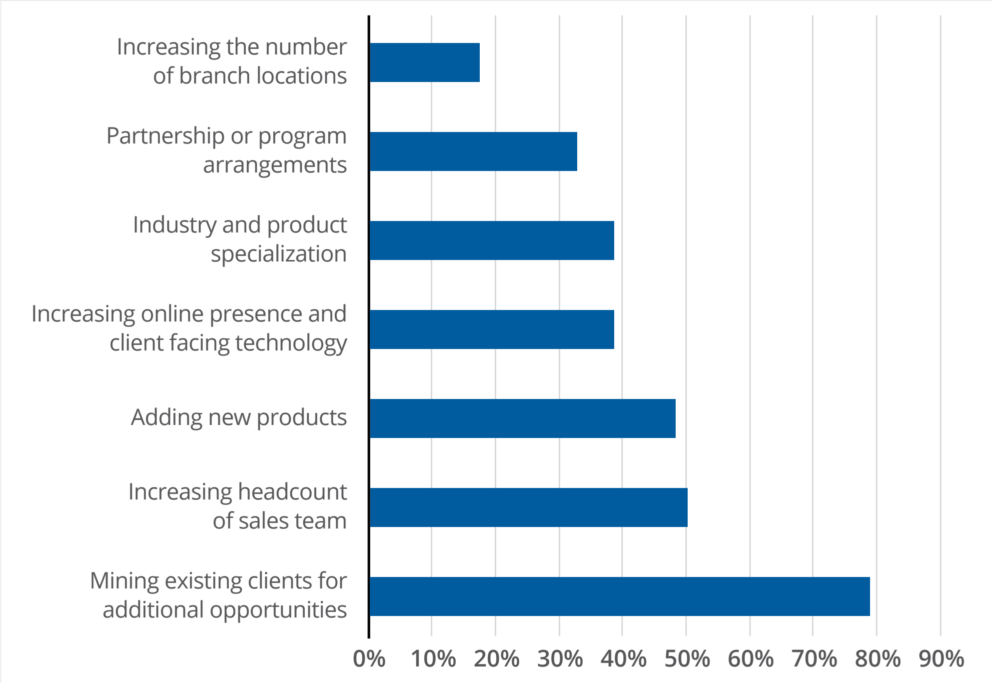


Figure 9: Organic Growth Strategies

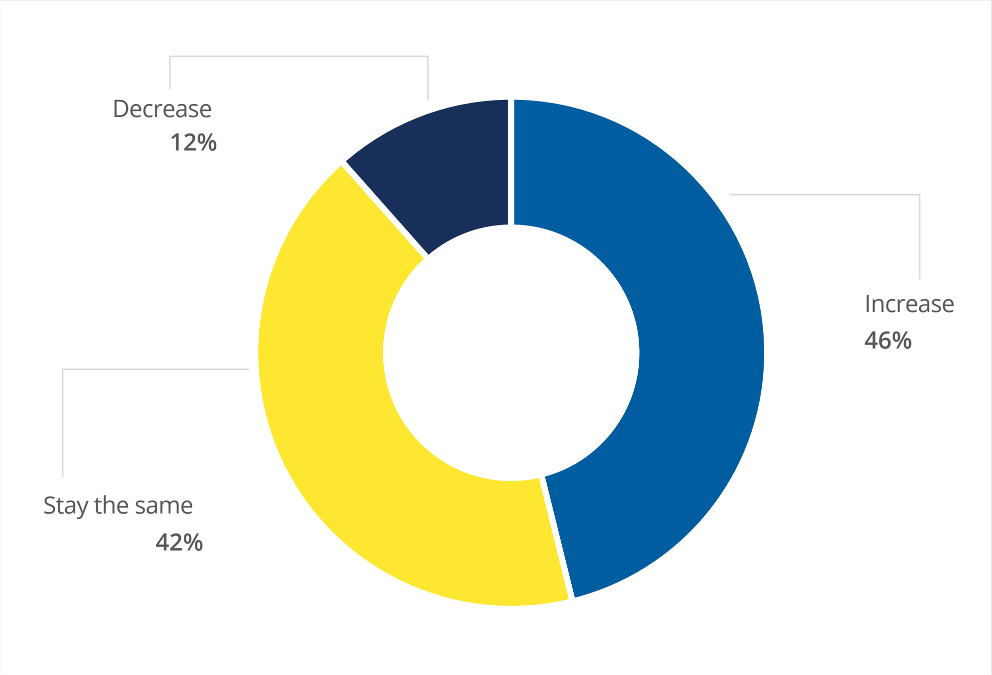


While revenue growth is important, brokerages are equally focused and optimistic about their profitability margin. Despite brokerages listing talent and technology as their two biggest challenges, they are confident in their ability to not allow those costs to erode profit margins. Nearly half of respondents expect their EBITDA margin to increase in 2025, and only one in ten brokerages believe their margins will go down. This shows that brokerages are being disciplined in their growth strategies and are not looking to grow top-line without understanding the impact on their bottom-line.

With relatively low growth expected for 2025, a critical component of maintaining a strong profit margin is successfully retaining existing clients. Brokerages are generally confident in this area with nine in ten respondents boasting a retention rate of over 90%, and nearly four in ten respondents reporting a commercial lines retention rate of over 95%.

As brokerage leaders look to sustain growth, many are re-evaluating how their systems support both scale and client experience. The next section explores how firms are investing in technology to meet those goals.

Figure 10: 2025 Profit Margin Forecast



Technology Trends

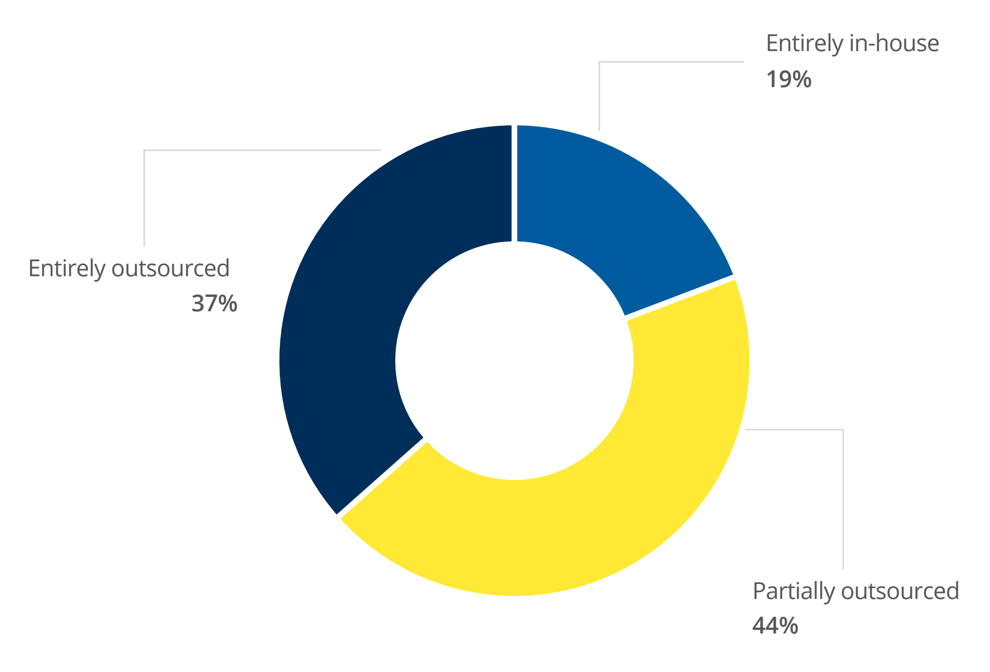
Over the past five years, conversations about technology in the insurance sector have often centered on disruption. But today, much of the innovation that once felt new is now simply expected. Technology has shifted from a bold strategic play to an operational necessity. In this year's survey, the responses point to a quieter but no less important trend: brokerages are investing in systems not to stand out, but to keep up.

Brokerage sentiment around technology investment has remained stable over the past two years. Firms continue to prioritize improvements in three core areas: client experience, internal processes, and insurer integration. In our 2025 survey, 65% of brokerages said they plan to increase their use of client-facing technology, while 79% expect to expand their use of back-office systems. More than 72% also reported a focus on tools that better integrate with insurer platforms. These results are closely aligned with what we saw in 2023.

However, the role of technology in growth strategy appears to be shifting. Only 38% of brokerages selected "increasing online presence or client-facing technology" as a primary growth driver. That's a notable drop from 54% in 2023. The results suggest that while firms continue to invest in technology, many now see it as a necessary operational tool rather than a core growth opportunity.

Adoption of new technology was also identified as the third most common industry challenge. Combined with ongoing concerns about software costs, this likely indicates a gap between strategic intent and execution. 60% of brokerages said they are concerned about the cost of software subscriptions. That figure is nearly identical to the last survey. At the same time, the number of firms managing IT entirely in-house fell from 30% to 19%, with a matching increase in those fully outsourcing the function. Hybrid models held steady, and there was no clear relationship between IT structure and firm size.

Figure 11: IT Department Structure



Despite these cost concerns, most brokerages continue to forecast improved profit margins. Notably, *no* brokerages disagreed with the idea of increasing their use of internal technology. This suggests they are not expecting technology costs to weigh on profitability. Instead, firms appear to be leaning on technology to drive greater efficiency. The implication is that increased investment in systems and tools will create savings elsewhere, whether through better workflows, lower overhead, or more scalable support functions.

Of course, systems alone are not enough. Talent remains one of the defining factors in a brokerage's ability to grow, adapt, and transition effectively. The next section looks at how firms are navigating that challenge.

Human Resource Trends

While the broader labour market has started to stabilize, the insurance industry continues to face acute talent pressures. In many sectors, the hiring frenzy of 2022 and 2023 has given way to layoffs and cooling demand. But that shift has not reached the brokerage world. In our 2025 survey, talent acquisition and retention remained the number one challenge. This is a clear signal that the competition for skilled people is far from over.

In this environment, brokerage strategies are evolving. The focus has moved beyond compensation alone, with more firms investing in flexibility, employee development, and long-term engagement. Flexible work remains one of the most widely adopted strategies, with 54% of brokerages saying they offer or plan to offer some form of flexibility. That's down from 80% in 2023, which may reflect a shift away from fully remote arrangements toward more structured or hybrid models. It may also suggest that many firms now view flexibility as a standard part of how they operate, rather than a newly planned initiative.

Brokerages are also prioritizing internal development. Just over 69% said they plan to enhance their training, mentoring, or coaching programs. These initiatives support both employee retention and the creation of a stronger internal talent pipeline. In addition, 50% are investing in team-building and engagement activities to help strengthen connection and culture across the firm.

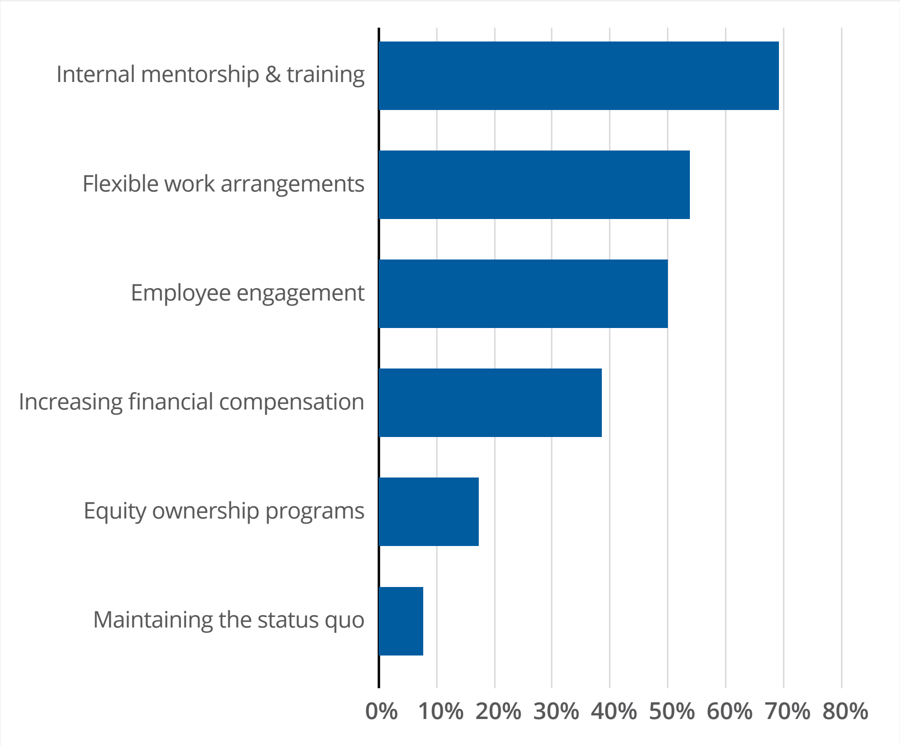
Equity compensation is gaining interest, though it remains less common overall. Just 17% of brokerages said they are considering offering some form of ownership to employees. These programs are often used as long-term strategies to retain key talent and align employee interests with those of ownership.

Meanwhile, compensation pressure remains present but measured. Just under 39% of brokerages said they plan to raise compensation at a rate faster than inflation. That figure is up from 30% in 2023, suggesting wage pressure continues to influence strategy — though most firms are still leaning more heavily on non-monetary tools to retain staff.

Outsourcing has not gained traction as an alternative. About 29% of brokerages said they are using or considering outsourcing, a modest increase from 2023. Even as hiring challenges persist, most firms remain focused on building internal capacity rather than shifting work externally.

Leadership succession remains a gap. While most brokerages are investing in employee development, only 46% said they have identified a strong internal ownership successor. This highlights a growing pressure point. Firms are not only trying to retain talent, they are also working to build the next generation of operational and leadership capacity.

Figure 12: Personnel Strategies



Brokerages continue to rely on commissions as a core part of compensation for revenue-generating roles, though the structure and scope of those commissions varies widely. In our 2025 survey, 79% of brokerages reported paying commissions on at least one type of business. Commercial lines remain the most common, with 75% of firms paying commissions on new commercial business and 52% doing so on commercial renewals. For personal lines, 65% pay commissions on new personal business, while 37% do so on renewals.

The data also shows that 21% do not pay commissions on any business line. All of these brokerages have a majority personal lines book and most are under 10 employees.

Commission rates vary widely, with meaningful differences between new and renewal business.

For new commercial business, the majority pay a commission rate over 40%. On renewal business, the most common commission rate falls to 20-30%, although two in ten brokerages still pay over 40% and another two in ten pay 31%-40%.

Figure 13: Commission Eligibility

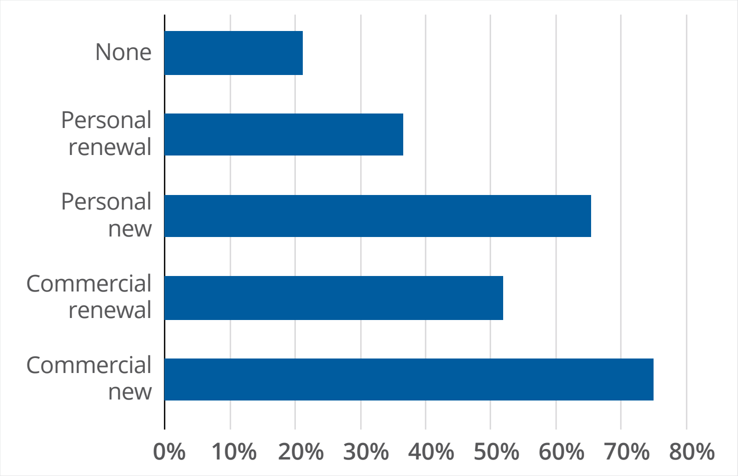


Figure 14: New Commercial Commission Rates

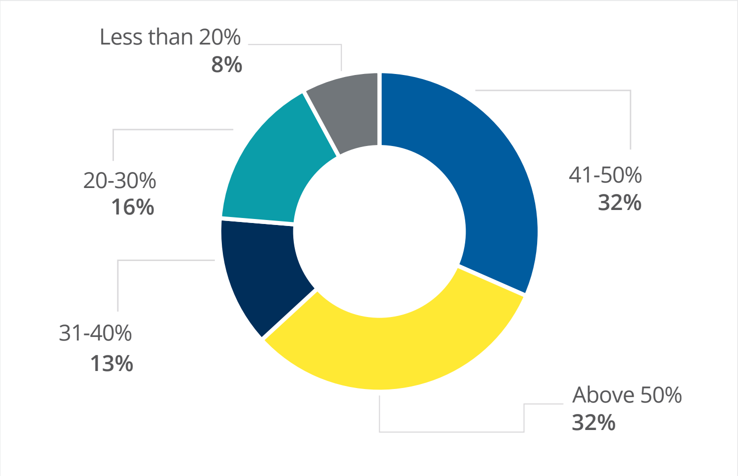
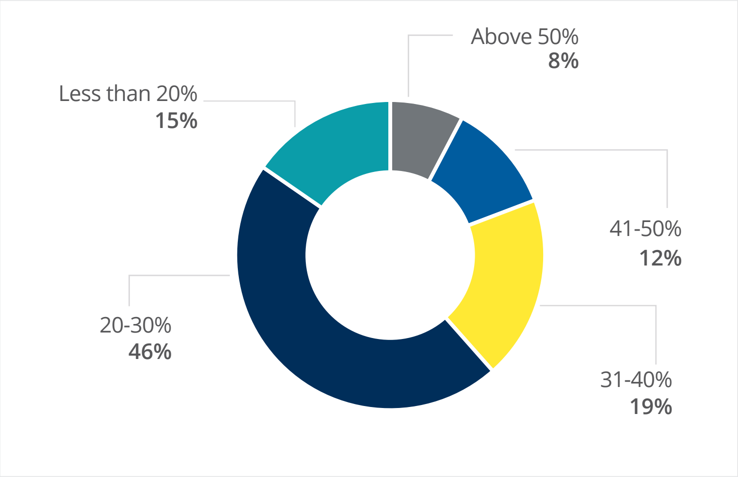


Figure 15: Renewal Commercial Commission Rates



For personal lines, the most common pay rates are consistent with commercial lines with the majority paying new business commission over 40% and renewal business commission at a rate of 20-30%. However, the detailed responses show that brokerages generally pay a lower commission rate on personal lines compared to commercial lines.

Despite the continued pressure on staffing, most brokerages continue to forecast improved profit margins. This suggests firms are finding ways to manage rising labour costs. Many are doing so by leaning into strategies that improve efficiency without simply adding headcount or raising pay. Flexibility, training, and engagement are helping firms retain talent. Technology investments are also easing the strain on internal teams. Together, these efforts appear to be offsetting cost pressures and allowing brokerages to stay both competitive and profitable.

Figure 16: New Personal Commission Rates

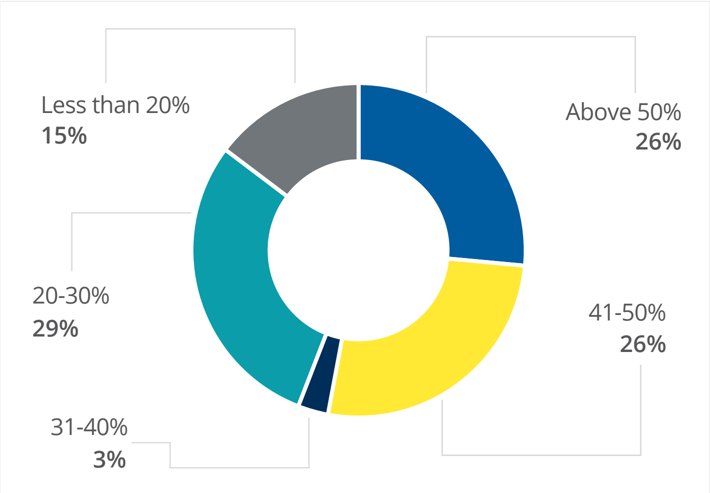
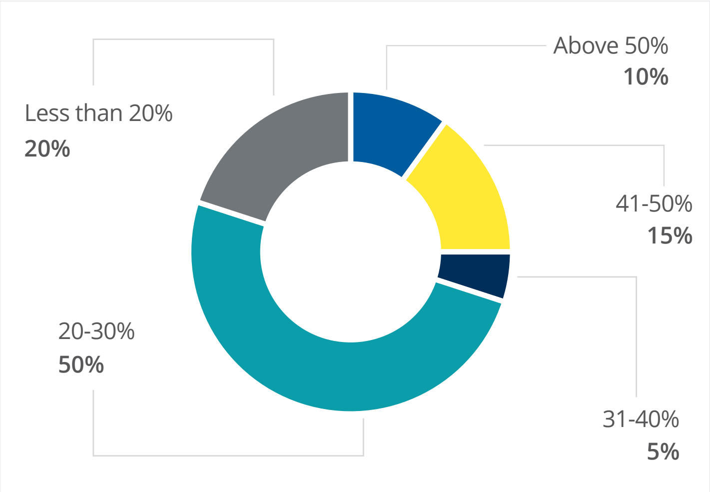


Figure 17: Renewal Personal Commission Rates



Succession Planning in Practice: **What Brokerage Owners Are Thinking Now**

Succession remains one of the most significant and complex decisions facing brokerage owners, and one of the areas where outside support can add the most value. As one of the premier firms advising insurance brokerages in Canada, we specialize in succession planning.

In this year's survey, we asked brokerages about their preferred succession paths, the factors they are weighing, and how prepared they feel today. The results show a clear mix of intentions, constraints, and emerging trends.

When asked to identify their top choice, the most common response was selling to a local or regional brokerage. 24% of respondents selected a local firm as their first choice, and another 20% selected a regional buyer. In contrast, only 20% said they most preferred a family transition, and just 9% selected a sale to management or key employees. These results suggest a shift away from traditional internal transitions, with many owners now placing greater priority on market-based transactions.

The trend becomes more apparent when looking at broader preferences. Selling to a regional or local brokerage appeared in the top three for 83% and 72% of firms, respectively. Just under half included a national consolidator, while internal options were cited less frequently. Only 33% said a management buyout was among their top three, and 30% said the same for a family transition.

Figure 18: Most Preferred Succession Option

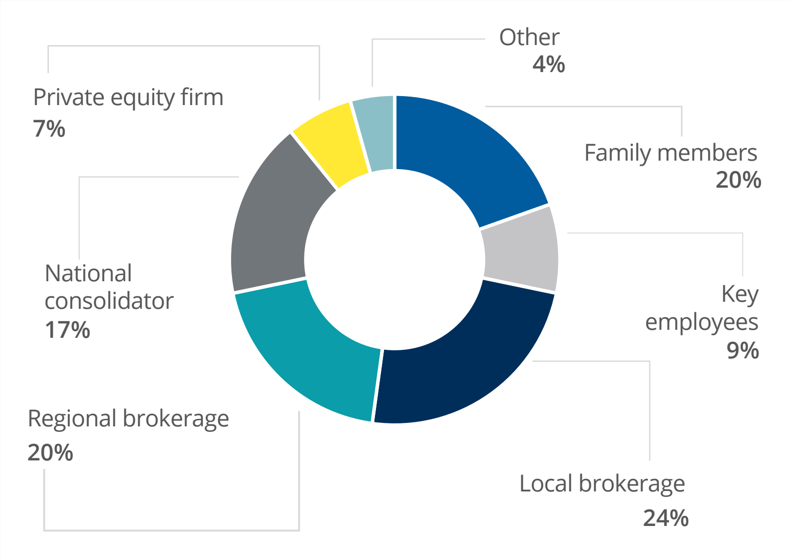
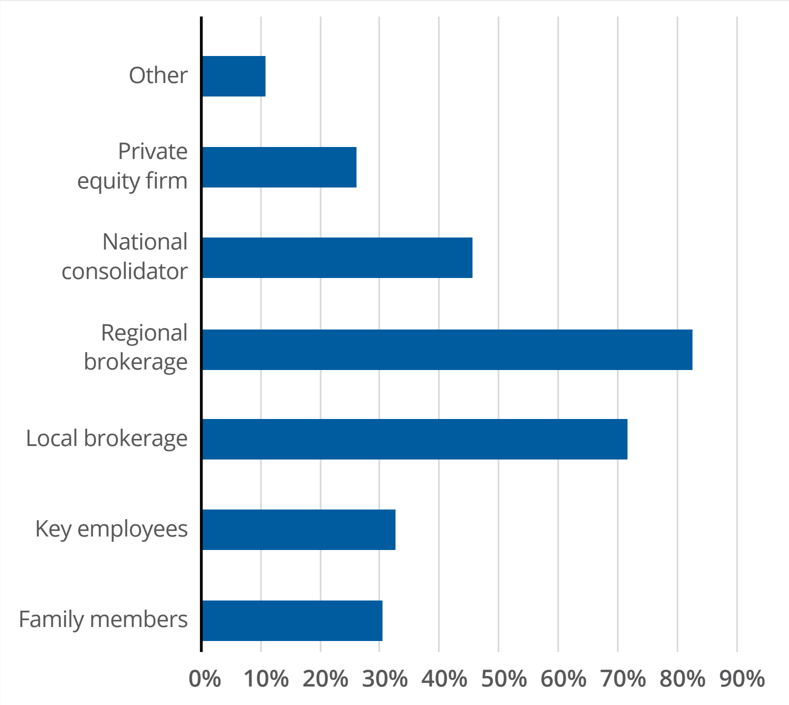


Figure 19: Top 3 Succession Option Preferences



Brokerage owners are weighing a range of factors as they evaluate succession options, but one stands out clearly. The most commonly cited consideration was valuation, selected by 67% of respondents. All other factors trailed behind. Approximately 45% percent said they are focused on creating opportunities for employees and client service, while just 31% prioritized cultural alignment. Only 25% identified family legacy as a top concern. These results suggest that while non-financial considerations matter, most owners are placing a premium on deal value.

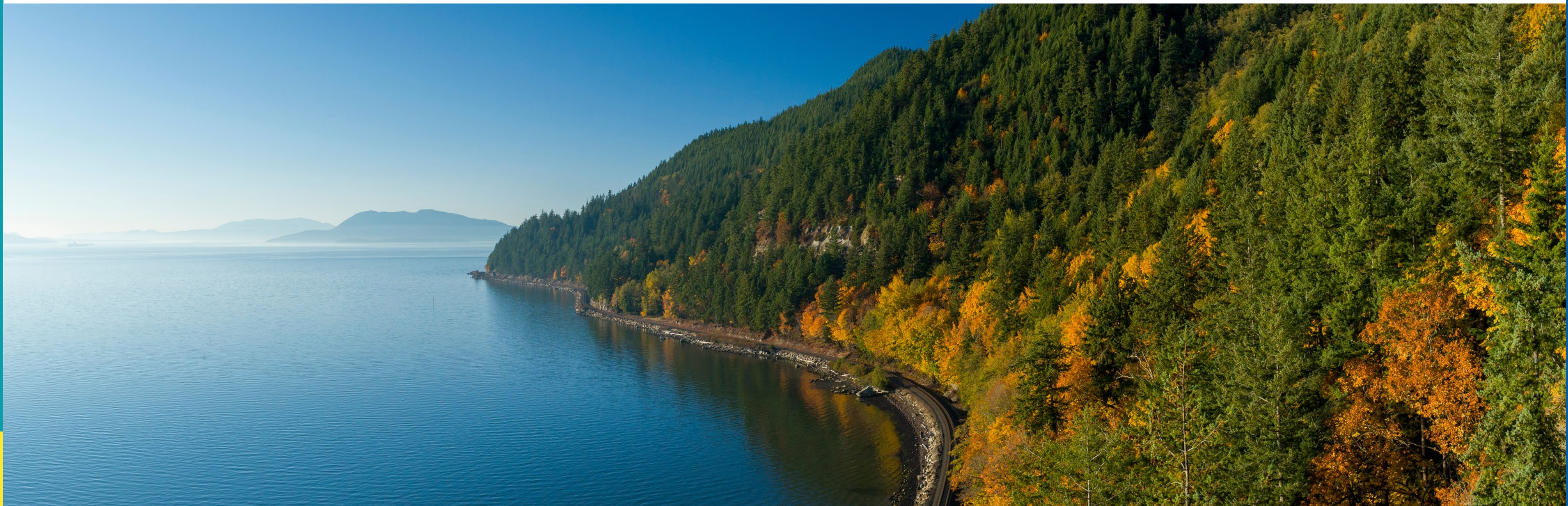
That lens helps explain the continued dominance of national consolidators in actual transactions. Even though fewer than half of brokerages included consolidators in their top three preferences, they remain the most frequent buyers. In many cases, local and regional firms simply cannot match the valuations or deal certainty offered by national platforms. While owners may begin the process hoping for a more personal or culturally aligned outcome, they often end up choosing the buyer best positioned to meet their financial goals.

The data helps explain why internal transitions often prove difficult. While 70% of brokerages said they have the capabilities to continue thriving as a long-term independent brokerage, far fewer are confident in their succession pipeline. Only 46% of brokerages said they have identified a successor, and just 15% said those successors have the financial resources needed to complete a buyout. One in five firms said they are not well-positioned in any area. The gap highlights a common dynamic where many brokerages are led by strong teams, but those teams may not include a clear or feasible ownership successor.

For family transitions, rising valuations can be a barrier, especially when capital needs to come from within the next generation. Without the right people and financial structure in place, internal succession often becomes aspirational rather than actionable.

Only 13% of brokerages said they feel well-positioned across all aspects of internal succession. This gap reinforces what we often see in our advisory work. Internal transitions can succeed, but they require early planning, investment in leadership development, and clear alignment between ownership goals and internal capacity.

These insights are based on our direct conversations with brokerage owners and the transactions we help guide across the country. Whether internal or external, successful transitions are built on clear strategy, careful preparation, and the ability to execute when the time is right.



Brokerage Valuations: **What Drives Premium Outcomes Today**

The Evolving Landscape of Insurance Brokerage Valuation: From Recurring Revenue Multiples to Sustainable EBITDA

The methodology for valuing insurance brokerages has undergone a meaningful shift in recent years. Historically, many firms were priced based on a multiple of recurring commission revenue. This approach was relatively straightforward and broadly accepted, especially in a sector known for its stable, predictable cash flows. But as the market has matured, the expectations of buyers have evolved. Today, sustainable EBITDA is the primary benchmark used to assess value. Buyers are now focused not only on revenue, but on how efficiently that revenue translates into earnings.

This shift is more than just a technical adjustment. It reflects a deeper focus on quality, performance, and long-term scalability. Buyers are no longer looking only at topline metrics. They want to understand the drivers behind profitability and whether those results can be sustained or improved over time. For owners considering a future transition, this has important implications for how value is created, presented, and ultimately realized.

Above-Average Profitability: A Premium on Value

The change was already evident in our 2023 report, and the market has only moved further in that direction. Purchasers continue to place significant emphasis on financial performance, particularly margin profile and cost discipline. As a result, firms with strong EBITDA performance are commanding the highest valuations. In some cases, these translate into implied revenue multiples of 6-8x or more. These are exceptional outcomes, but they are being achieved consistently by brokerages that can show a combination of growth, profitability, and leadership readiness.

Specialized brokerages are also seeing strong results, particularly those with program or niche expertise. Buyers are placing a premium on firms that bring differentiated capabilities or access to hard-to-reach segments. While size continues to be a driver, since larger firms tend to attract more aggressive multiples due to their relative scarcity, smaller firms with the right positioning are still achieving excellent outcomes.

Below-Average Profitability: A Floor for Opportunity

At the same time, the market has room for brokerages that are not yet top performers. For firms with below-average profitability, revenue multiples are still being used as a floor, particularly when buyers believe there is room to improve efficiency post-close. In these cases, purchasers are often underwriting to a normalized margin, assuming they can bring costs in line with industry benchmarks over time. This creates an opportunity for sellers who may not be operating at peak efficiency but have a valuable client base or strategic location.

Some buyers take this even further. There are well-capitalized acquirers who enter transactions with a fixed view of what the business is worth on a revenue basis, regardless of current margin performance. These buyers assume they can engineer profitability to match their platform standards. That mindset creates opportunities for brokerages that may not appear attractive based on standalone financials but represent long-term potential in the eyes of an experienced buyer.

Why Valuation Varies and Why Structure Matters

Still, no two buyers view value in exactly the same way. Some prioritize scale and EBITDA contribution. Others look for geographic expansion, cultural fit, or market specialization. A third category may be focused on arbitrage, integration upside, or private equity return metrics. This diversity of perspective is one of the reasons why a structured process is so important.

The Role of a Structured Process

A properly run sale process creates optionality. By engaging multiple interested parties, sellers can surface a wider range of valuation approaches and deal structures. That competition helps drive value, but it also gives owners a clearer sense of what matters most to different types of buyers. In our work advising brokerage owners, this is often one of the most eye-opening stages. It helps them understand not only what the business is worth, but why certain buyers are willing to pay more.

It is also why preparation matters. In today's market, well-prepared sellers consistently achieve better results. That means having clean, credible financial reporting. It means being able to articulate a clear margin story and show how results compare to industry peers. And it means demonstrating that the business can operate and grow beyond the current owner. These are not just technical details. They are the fundamentals that help buyers gain confidence and stretch their pricing.

Applying Valuation to Internal Succession

These same valuation principles also apply to internal transitions, though the context and constraints can be very different. Third-party sales typically rely on market-based processes, where competitive tension helps drive pricing. Internal successions, on the other hand, often require more customized solutions, particularly when the incoming owners are family members or employees without direct access to capital. In these cases, valuation discussions often balance financial fairness with practical considerations such as income replacement, tax efficiency, and financing constraints.

Even without an external market process, many of the same principles still apply. Sellers need to understand how their business would be valued by an arm's-length buyer in order to set expectations, test affordability, and structure internal deals that are both realistic and supportable. This is why internal transitions also benefit from a clear understanding of normalized EBITDA, margin comparables, and cash flow capacity. In our experience, owners who start early and ground their plan in market-informed valuation inputs are better positioned to preserve relationships and reach outcomes that work for everyone involved.

Whether the goal is maximizing value in a third-party sale or creating a fair and achievable internal succession plan, the best results come when owners are well-prepared. A thoughtful approach to valuation, grounded in both financial fundamentals and the specifics of the chosen path, helps unlock the full potential of the business and sets the stage for a successful transition.

Mergers & Acquisitions

M&A activity in the Canadian insurance brokerage industry remains strong. Through the first half of 2025, 35 transactions have been publicly announced, consistent with the pace seen in recent years. While buyer focus has become more selective, the demand for quality brokerages continues to exceed supply. The majority of transactions are still led by national consolidators, supported by private equity or insurer-aligned capital.

While many sectors have seen M&A activity slow due to broader economic uncertainty, geopolitical risk, or trade-related headwinds, the insurance brokerage space has remained remarkably resilient. Valuations continue to hold at record levels, and investor confidence in the long-term fundamentals of the industry remains high. This contrast highlights the unique position brokerages occupy in today's market. They continue to attract strong interest as stable, cash-generating businesses with proven demand and long-term growth potential.

Since consolidation began accelerating in 2020, there has been frequent speculation about whether the market is reaching its peak. But deal volume has stayed steady, and new capital continues to enter the space. As some of the early consolidators become more targeted in their approach, new private equity investment is now fueling the next wave of growth. In June 2024, Lee Equity Partners announced its investment in Axis Insurance, and in June 2025, Abry Partners backed Ontario-based Oracle RMS. These transactions reflect ongoing confidence in the sector, with the expectation that growth will continue to be driven by acquisition activity.

Another notable trend is the way many consolidators are expanding beyond core P&C brokerages. A growing number are actively acquiring MGAs and group benefits firms, which has contributed to rising valuations in the benefits space. These deals are often viewed as strategic adjacencies that can enhance cross-selling, scale, and margin. There are also early signs that some consolidators are beginning to explore other areas such as claims administration and wealth management. In several cases, the interest in wealth stems from existing benefits platforms that include a financial advisory or retirement planning component.

Buyer interest continues to focus on scale, profitability, and strategic fit. Larger brokerages and those with niche capabilities remain the most attractive. Strong interest also persists in the small to mid-sized commercial space, particularly for firms with focused books and capable leadership. The segment experiencing less activity is small, personal-lines-focused brokerages, where growth prospects may be limited and fewer buyers are active. For these firms, outcomes depend heavily on alignment with a buyer's strategic goals.

Across all segments, one trend continues to gain traction. Buyers are paying a premium for brokerages with younger ownership teams who are willing to stay on and roll equity. These owners bring leadership continuity, growth capacity, and a built-in solution to one of the industry's biggest challenges: talent. For buyers, the ability to retain and develop in-house leadership has become just as valuable as acquiring new clients or revenue.

Understanding seller motivations is also an important part of the deal landscape. Most owners fall into one of three categories.

The first group is focused on retirement. These sellers are ready to exit and typically seek a clean transaction that balances value with stability for clients and employees.

The second group includes owners who are not yet ready to retire, but have hit a ceiling as independents. These firms may be limited by access to people, technology, or insurance markets. For them, a sale is a path to continued growth under a larger platform, not an exit.

The third group is a mix of both. These are multi-owner firms where some partners are ready to retire, and others want to remain involved but are facing the same growth challenges. These deals often involve partial buyouts and equity rollover structures that account for different timelines and priorities within the same firm.

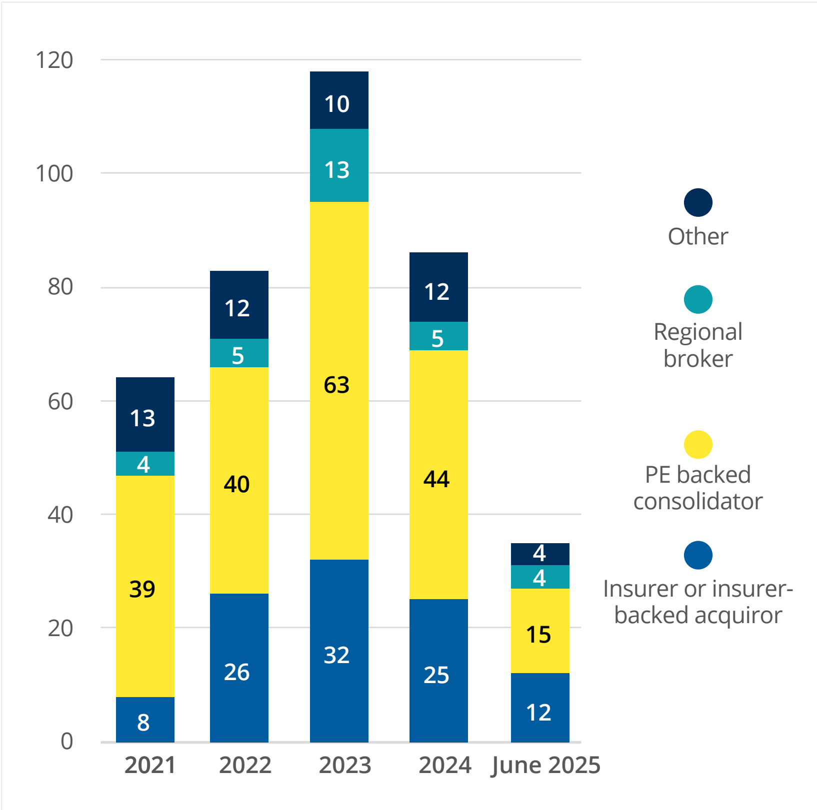
Deal structures have remained consistent over the past few years. Most transactions still include a high cash payment at close, with the potential for additional upside through performance-based earnouts. These earnouts are increasingly used to reward post-close success, rather than bridge valuation gaps. Contingent payments are commonly tied to growth, retention, or integration goals. Buyers continue to be selective, particularly when evaluating cost structure, leadership depth, or succession complexity.

As the market becomes more nuanced, preparation is more important than ever. Buyers expect clear financial reporting, strong operational fundamentals, and well-articulated growth stories. A firm does not need to be perfect, but it does need to be ready. Sellers who invest in positioning their business and understanding buyer priorities are consistently achieving stronger outcomes.

Looking ahead to the second half of 2025, the M&A landscape remains active. While buyer criteria may continue to tighten in certain segments, interest in quality firms is high. Sellers with scale, focus, or leadership continuity will continue to attract attention. For others, differentiation through specialization, culture, or market presence can still unlock meaningful value.

While M&A continues to dominate the transaction landscape, internal succession remains a goal for many owners. The following section looks at the realities of family and employee transitions in today's market.

Figure 20: Complete Transactions by Acquirer-type



Internal Succession: Family & Employee Transitions in a Changing Market

While third-party sales continue to dominate actual transactions, internal succession remains an important path for many brokerage owners. Yet the gap between aspiration and execution is often wide. This pattern continues to show up across both family and employee transitions. Internal succession requires more than interest. It demands the right people, early planning, and a structure that makes the transition financially viable. Only 46% of brokerages said they have identified a successor, and just 15% said those successors have the financial resources needed to complete a buyout. The desire to keep the business in the family or pass it to key employees may be strong, but practical constraints are just as real.

Family Transitions

Rising valuations have made family transitions more complex. What may have once been a modest intergenerational handoff now requires meaningful capital, structured financing, and careful consideration of fairness between family members. In many cases, the next generation is already active in the business but may not be in a position to take full control. Others may be interested in staying involved operationally without taking on ownership or financial risk.

Successful family transitions begin well before a transaction. Owners need to assess not only financial readiness but also leadership capacity. Is the next generation ready to lead? Do they have credibility with staff, clients, and markets? Are they motivated to grow the business and take on long-term responsibility? These questions are as important as the transaction mechanics, and often take time to answer. In our experience, the most effective family transitions are those that begin early, include intentional leadership development, and use flexible deal structures such as share freezes, staged purchases, or reorganizations that reflect tax and estate planning goals.

Employee Ownership

Employee buyouts present a different set of challenges. Some owners are committed to rewarding long-time team members with equity, but many brokerages do not have multiple employees who are ready, willing, and financially able to step into ownership. Capital remains a common barrier, particularly for younger employees who may not yet have the personal resources or risk appetite to take on a significant purchase.

Still, employee ownership can work in the right circumstances. The most successful transitions typically involve a clear plan, strong mentorship, and creative structuring. Vendor take-backs, phased buy-ins, and partial ownership transitions can help bridge the gap between value and affordability. These structures allow the outgoing owner to step back gradually while giving future owners time to build financial capacity and confidence in their leadership role.

As with family transitions, leadership traits matter. Prospective buyers need more than tenure. They need the ability to lead people, manage financial performance, and drive business development. Owners must consider whether their future partners are ready to take over external relationships, make strategic decisions, and manage the broader operations of the business. These are areas where third-party input can be especially helpful, both to assess readiness and to support development.

Tax Considerations in Internal Transitions

Tax planning plays a critical role in both family and employee successions. The structure and timing of a transaction can significantly affect after-tax outcomes for sellers and affordability for successors. Owners may use strategies such as the Lifetime Capital Gains Exemption or share freezes to shift value efficiently across generations; along with the use of holding companies, staged equity purchases, or reorganizations to help bridge the gap between market value and what future owners can reasonably afford.

These strategies are rarely effective when applied late in the process. Owners who begin planning early are better positioned to align their financial goals with those of their successors and preserve long-term value for all parties involved.

Balancing Values and Value

For many owners, internal succession is about more than maximizing price. It is a way to preserve culture, reward loyalty, and ensure continuity for clients and staff. That said, these values often need to be balanced with financial realities. Family members and employees rarely have the ability to match the valuation or deal certainty offered by external buyers. The key is finding a structure that respects the financial value of the business while supporting the legacy and priorities of the current owner.

The Path Forward: Steps to a Successful Internal Succession

Internal transitions require intention and structure. Owners who want to pursue family or employee succession should consider the following steps:

1. Clarify your goals

Define what matters most to you. Are you focused on legacy, continuity, financial return, or some combination of all three? Knowing your priorities will help guide every other decision.

2. Assess internal candidates

Identify whether there are family members or employees who are both interested in ownership and capable of stepping into leadership. Consider their skills, motivation, credibility with clients and staff, and appetite for risk.

3. Evaluate financial readiness

Determine if your successors have the resources or access to financing to support a transition. Where there are gaps, consider whether phased buy-ins, vendor take-backs, or alternative structures could help close them.

4. Understand market value

Even for internal transitions, it is important to understand what your business would be worth in a third-party sale. This creates a baseline for financial fairness and helps inform deal structure and tax planning.

5. Plan for tax efficiency

Tax planning is essential to preserve value and avoid unintended costs. Explore whether a reorganization, share freeze, or exemption planning could improve after-tax results for both the current owner and future buyers.

6. Design the structure

Develop a plan that balances affordability with value. This could include staged transactions, share classes, holding companies, or other tools that allow for gradual transition and clear roles over time.

7. Invest in leadership development

Ensure your successors are set up to succeed. This may involve expanding their responsibilities, strengthening their external relationships, or providing mentorship and professional development.

8. Align governance and communication

Establish clear roles, responsibilities, and decision-making processes throughout the transition period. Open communication is key — both within the successor group and with staff, clients, and other stakeholders.

9. Start early

The most successful internal transitions are those that unfold over years, not months. Early planning gives everyone time to prepare, adapt, and move forward with confidence.

Internal succession is not simple. With structure, clear expectations, and early planning, owners improve the odds of success for themselves and their successors. These transitions work best when everyone has time to prepare and adapt.

Financial Benchmarking **Data**

Our methodology for this analysis of the Canadian P&C insurance brokerage market involved us soliciting brokerages to provide internal operating income statements and to participate in an executive survey. In addition, we used data from our proprietary database.

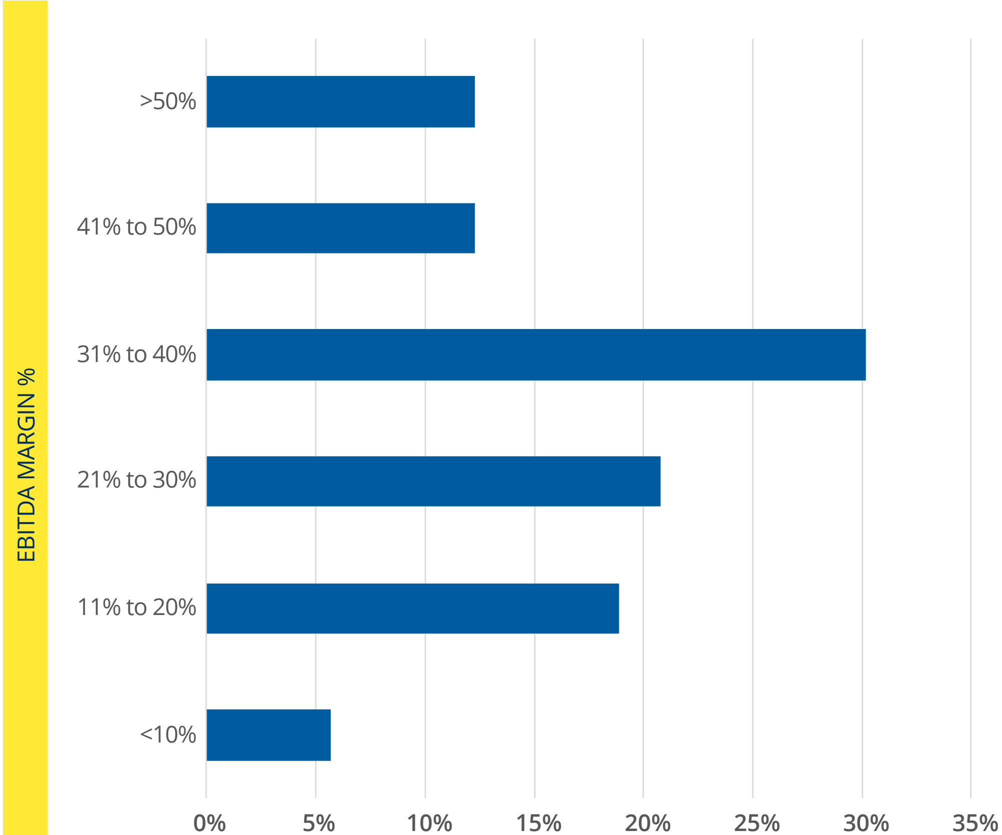
We received financial information from brokerages with revenues ranging from under $1 million to over $500 million, with operating profit margins from negative to 69%. We eliminated outliers that we believe would heavily skew results. The financial data for each participant included results for 12-month fiscal periods ending in 2024.

Our objective is to present the data in this report in a clear and unbiased manner. We adjusted the data provided to make it as comparable as possible. Some of the adjustments include:

- EBITDA was considered the best measure of operational performance and we added back interest, amortization, and income taxes.
- Where possible, we normalized expenses to exclude non-market expenses and compensation.
- We reclassified certain expenses for sample consistency purposes. Having said that, inconsistent expense allocation is a limitation when comparing and aggregating data from different companies.

Our analysis of aggregated brokerage results reveals some interesting trends that reflect the current state of the market. With a total revenue of over $1.4 billion from brokerages with branches in rural communities and major cities across Canada, we believe our report provides a valid representation of the overall Canadian market for privately owned insurance brokerages.

Figure 21: Brokerage Profitability Distribution



	<10%	11% to 20%	21% to 30%	31% to 40%	41% to 50%	>50%
Size %	6%	19%	21%	30%	12%	12%

Overall Profitability Trends

The results of our 2025 study confirm what many in the industry expected: the extraordinary profitability observed during the pandemic has proven temporary. Our 2021 report showed operating margins at 32%, boosted by suppressed claims activity and elevated contingent profit commissions (CPC). By 2023, results had already moderated, and in 2025 margins appear to have fully normalized, although investments in growth and softening in rates may be suppressing near-term profitability. The picture today reflects a return to long-term averages, where profitability depends less on one-time conditions and more on disciplined expense management, a profitable book of business, and the ability to navigate a softening commercial market.

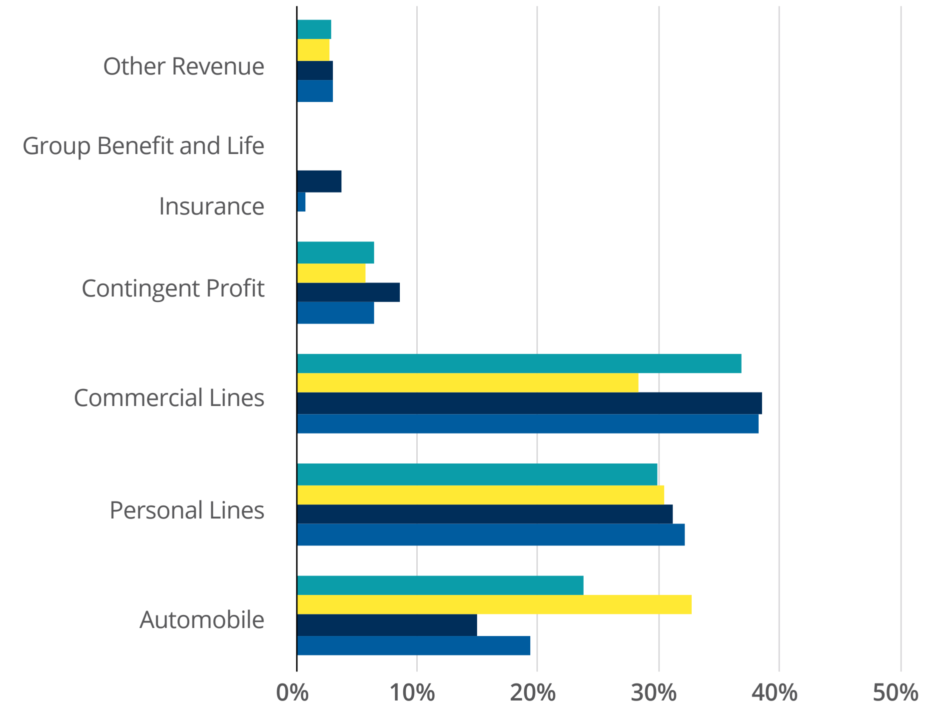
Inflationary pressure on expenses appears to have stabilized, but revenue growth has not meaningfully outpaced overall costs. Personnel expense decreased modestly, from 55% of revenues in 2023 to 53% in 2025, suggesting a slight easing of wage pressure but still elevated compared to pre-pandemic levels of approximately 50%. Technology and administrative expenses remain structurally higher at 4% and 9% of revenues, reflecting continued investments in systems, producer support, and back-office capacity.

Sales Mix

The composition of brokerage revenues shifted again in 2025, reflecting both participant mix and broader market conditions. Automobile commissions rose to 20% of revenues, up from 15% in 2023, largely due to the increased participation of personal lines-focused brokerages in this year's survey and the rebound in auto premiums as inflationary claims costs worked their way through pricing. Personal lines increased modestly to 33%, while commercial lines decreased to 37%, reflecting softening market conditions in certain commercial segments.

Most notably, CPC represented 7% of overall revenue in 2025, down from 9% in 2023 and directly aligned with the 6–7% range typical of pre-pandemic years. Because CPC has no associated expenses, it remains a vital driver of profitability, and brokerages that sustain profitable books of business enjoy a disproportionate benefit. The drop in CPC over the past two years demonstrates that profitability is once again being driven primarily by core commission income and cost discipline.

Figure 22: Revenue Comparison



	Automobile	Personal Lines	Commercial Lines	Contingent Profit	Group Benefit and Life Insurance	Other Revenue
2018	24%	30%	37%	6%	0%	3%
2020	33%	30%	28%	6%	0%	3%
2022	15%	31%	38%	9%	4%	3%
2024	20%	33%	37%	7%	1%	3%

Expense Breakdown

The expense structure of Canadian P&C brokerages has always been relatively predictable, with personnel expenses by far the largest component of the cost base. In 2025, the pattern remains consistent, but there are important nuances that highlight the ongoing pressure of labour markets and the industry's investment cycle.

Personnel expense averaged 53% of revenues in 2025, a modest improvement from 55% in 2023 but still materially higher than the ~50% observed in pre-pandemic years. The decrease suggests that inflationary wage pressure has stabilized, but many brokerages continue to experience elevated costs as they invest in new producers and administrative support. For growth-focused firms, in particular, personnel cost increases often precede revenue validation, which weighs on short-term profitability.

Premises expense modestly improved to 4% of revenues (5% in 2022), reflecting softening commercial leasing rates and a hybrid environment where many brokerages continue to maintain physical branch space even as remote work and digital servicing models reduce the need for retail storefronts. Smaller firms in regional communities often report higher premises costs relative to revenue, while larger commercial-focused brokerages, which operate with fewer branches, realize structural savings.

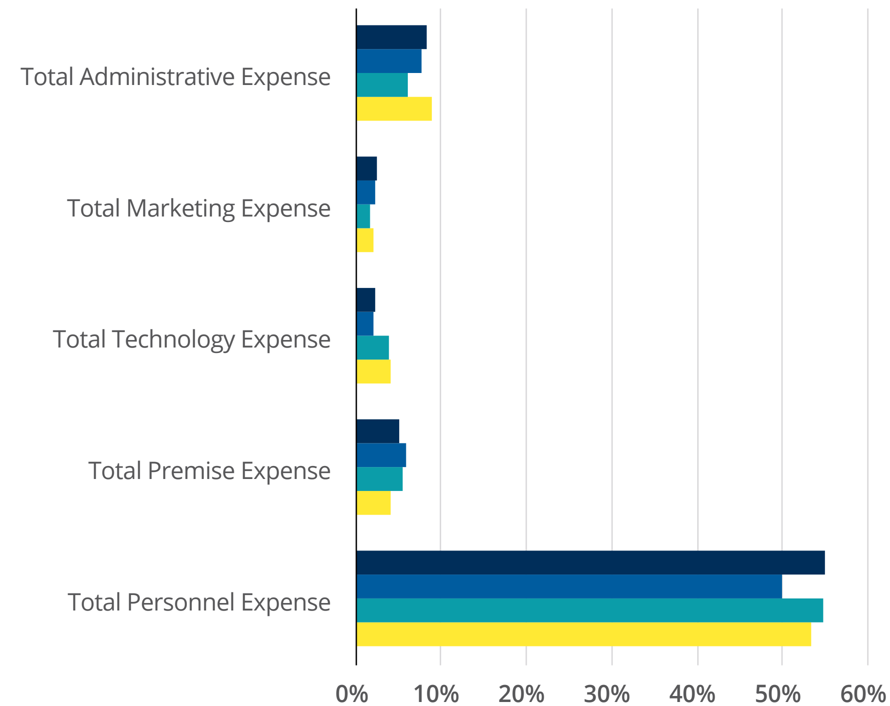
Technology expense remained steady at 4% of revenues, continuing a trend observed over the last two editions of this report. Brokerages are increasingly committing to significant outlays for systems upgrades, back-office efficiency tools, and client-facing digital platforms. While some respondents grouped these costs under administrative expense, the broader trend is clear: technology investment is no longer discretionary but central to brokerage competitiveness.

Administrative expense averaged 9% of revenues in 2025. This category captures a wide range of overhead items, from professional fees to insurance, banking, and membership dues. We note that growth-oriented brokerages investing in systems and compliance infrastructure are often overrepresented here, reflecting the complexity that comes with scaling operations.

Marketing expense remained modest at 2% of revenues, continuing a steady decline as more brokerages pivot toward online and digital-first client acquisition strategies. Where marketing dollars are spent, they are often directed toward technology-enabled initiatives such as digital advertising and search optimization, rather than traditional campaigns.

Taken together, total operating expenses accounted for 72% of revenues in 2025, leaving an average operating margin of 28%. These results confirm that while inflationary pressures have eased, the cost base has reset to a structurally similar level to the pre-pandemic period. Brokerages must therefore remain disciplined, as sustained profitability now relies on balancing these investments with steady revenue growth and CPC performance.

Figure 23: Expense Comparison



	Total Personnel Expense	Total Premise Expense	Total Technology Expense	Total Marketing Expense	Total Administrative Expense
2018	55%	5%	2%	2%	8%
2020	50%	6%	2%	2%	8%
2022	55%	5%	4%	2%	6%
2024	53%	4%	4%	2%	9%

Top Performers

Consistent with previous years, these top performers spanned specialty commercial insurance brokerages, general insurance brokerages with program business or successful segmentation strategies to large scale regional brokerages. The main reason for their improved profitability was significantly lower personnel costs as a percentage of revenue, although it's worth noting that in some cases due to their scale, these brokerages had lower expenses in other areas as a percentage of revenue compared to the remaining sample.

As in prior years, the divide between top-performing brokerages and the broader sample has widened. In 2025, the top 20% of brokerages achieved a 42% operating margin, while the remaining sample reported 22%: a gap of 20 points, compared to 17 points in 2023.

Several themes continue to define top performers. Their books are more heavily weighted to commercial lines, generating higher average revenue per client and creating more opportunity for scalable growth. They also maintain tighter expense control: personnel costs were approximately 42% of revenues for the top tier compared to 58% for the remaining sample. Administrative expenses were also leaner, reflecting more efficient operating structures.

In our discussions with principals at top performing brokerages, they continue to outperform by investing in systems, processes and deploying growth strategies that outpace expenses.

Figure 24: Aggregate Results - Top 20% of brokerages operating profit margin

	TOP PERFORMING 20% SIZE %	REMAINING SAMPLE SIZE %
Automobile	12%	23%
Personal Lines	29%	35%
Commercial Lines	47%	32%
Contingent Profit	8%	6%
Group Benefit and Life Insurance	0%	1%
Other Revenue	4%	3%
Total Income	**100%**	**100%**
Total Personnel Expense	42%	58%
Total Premise Expense	4%	4%
Total Technology Expense	3%	4%
Total Marketing Expense	2%	2%
Total Administrative Expense	7%	10%
Total Expense	**58%**	**78%**
Operating Income	42%	22%

Commercial-focused Brokerages

The performance gap between commercial and non-commercial brokerages narrowed in 2025, with commercial-focused firms reporting an average operating margin of 27%, compared to 29% for their non-commercial peers. This marks a significant shift from 2023, when commercial brokers averaged margins of 31% versus 25% for non-commercial firms, a six-point advantage.

These segments benefitted in 2025 from inflation-driven premium growth and the increased participation of personal lines brokerages in our survey, cushioning performance even as CPC declined and expenses remained high.

From an expense standpoint, personnel expense was slightly higher for commercial lines focused brokerages (54% vs. 53%), suggesting that staffing and wage inflation pressures are universal across the sector. However, commercial brokerages carried slightly higher administrative expense (10% vs. 8%), reflecting greater investment in systems, producer support, and compliance needs, while non-commercial brokerages incurred slightly higher premises expense (4% vs. 3%), consistent with the higher branch footprint needed to support their distribution model.

In our discussions with brokerage principals, we observed that many commercial-focused firms have been investing heavily in organic growth initiatives, particularly over the past 18 months. Increases in unvalidated producer spend, where upfront compensation and support costs are incurred before revenue materializes, have been especially prominent. While these investments are expected to drive future growth, they are weighing on near-term profitability.

At the same time, recent softening commercial rate increases reduced the tailwind that had supported commercial revenues through several years of hard market conditions. By contrast, personal lines rate increases outpaced this commercial softening, supporting steadier revenue growth and margins for non-commercial brokerages despite continued cost pressures.

The 2025 results highlight that, in the current environment, profitability between commercial and non-commercial firms has converged, shaped by a combination of expense structures, growth-phase investment, and diverging market conditions between personal and commercial lines. Notably, this marks the first time since the pandemic that commercial-focused brokerages have not outperformed their non-commercial peers.

Figure 25: Aggregate Income and Expenses of Commercial Brokerages

	COMMERCIAL BROKERAGES SIZE %	NON-COMMERCIAL BROKERAGES SIZE %
Automobile	5%	28%
Personal Lines	16%	43%
Commercial Lines	69%	19%
Contingent Profit	7%	6%
Group Benefit and Life Insurance	1%	0%
Other Revenue	2%	4%
Total Income	**100%**	**100%**
Total Personnel Expense	54%	53%
Total Premise Expense	3%	4%
Total Technology Expense	4%	4%
Total Marketing Expense	2%	2%
Total Administrative Expense	10%	8%
Total Expense	**73%**	**71%**
Operating Income	**27%**	**29%**

Results Based on Size

The 2025 results show a meaningful divergence in profitability by size, with smaller firms outperforming their larger peers. Small brokerages (under $2 million in revenue) posted average margins of 34%, medium firms ($2–10 million) reported 33%, while larger brokerages ($10–100 million) delivered 25%. This contrasts with our 2023 study, when margins across all size categories were clustered closely around 27–28%.

The revenue mix by size provides further insight. Small brokerages remain most reliant on personal lines (41%) and automobile (27%), segments that benefitted from stronger rate increases in 2024 and 2025, supporting relatively higher revenue growth. Medium firms leaned more heavily on commercial lines (32%), supported by higher CPC contributions (7%), while larger firms were weighted heavier towards commercial, with 41% commercial, 30% personal, and 18% automobile. For these larger firms, commercial softening in late 2024 and into 2025 slowed revenue growth and undoubtedly impacted profitability.

The cost structures varied significantly by size. Small brokerages reported the leanest model, with personnel expense at 46% of revenue compared to 50% for medium sized firms and 55% for brokerages in the large category. This reflects that smaller brokerages tend to have smaller teams, especially for back-office support, while larger brokerages have invested in compliance, corporate development functions as well as unvalidated producer spend, which weighs on near-term profitability. Similarly, premises costs were relatively higher at 7% for smaller brokerages compared to 4% for each of the other two categories, signaling economies of scale being realized. Larger brokerages are also spending 4% of revenues on technology compared to 2% for smaller brokerages, illustrating the impact of investing in future growth and efficiencies, and suppressing near-term profitability.

Compared to earlier reports, these results reinforce several enduring themes. In our 2019 study, smaller brokerages often outperformed mid-sized firms due to tighter owner-management and lower cost structures. By 2021, however, larger firms were capturing higher margins (32–33%) thanks to scale, higher CPC, and commission overrides. The 2023 report suggested that scale was again driving incremental profitability, particularly as commercial-heavy firms benefitted from several years of hard market rate increases. In 2025, the pendulum has swung back toward small and medium firms, who maintained lean cost structures while larger firms carried the weight of their investment cycles.

Looking ahead, the ability to realize efficiencies from technology investment and validate recent producer hires will likely determine whether mid- to large-sized firms can regain a clearer profitability edge, or whether smaller brokerages will continue to hold their ground in a normalized margin environment.

Figure 26: Profitability by Brokerage Size

	SMALL < $2 MILLION SIZE %	MEDIUM $2 TO 10 MILLION SIZE %	LARGE $10 TO 100 MILLION SIZE %
Automobile	27%	22%	18%
Personal Lines	41%	35%	30%
Commercial Lines	26%	32%	41%
Contingent Profit	3%	7%	7%
Group Benefit and Life Insurance	0%	0%	1%
Other Revenue	3%	4%	3%
Total Income	**100%**	**100%**	**100%**
Total Personnel Expense	46%	50%	55%
Total Premise Expense	7%	4%	4%
Total Technology Expense	2%	3%	4%
Total Marketing Expense	1%	2%	2%
Total Administrative Expense	10%	8%	10%
Total Expenses	**66%**	**67%**	**75%**
Operating Income	34%	33%	25%

Looking Ahead

The Canadian insurance brokerage landscape continues to evolve, shaped by shifting client expectations, economic pressure, and a tightening labour market. This report reflects what we see on the ground: brokerages are adapting with discipline, investing in systems, and planning more deliberately for transition. Whether focused on growth, succession, or internal development, the most resilient firms are those with clarity of direction and a willingness to prepare. We hope these findings provide a helpful lens as you look ahead.

Executive Summary 2025 Benchmarking Highlights

- Average operating margin of **28% in 2025**, consistent with 2023 and in line with long-term pre-pandemic levels (vs. 32% peak in 2021).
- **CPC reset: 7% of revenues**, down from 9% in 2023, confirming a return to the historic 6–7% range.
- **Expense stabilization:** Personnel costs eased to **53% of revenues** (55% in 2023) but remain above pre-pandemic norms; technology (4%) and admin (9%) reflect ongoing structural investment.
- **Top performer gap widened:** Leading 20% of brokerages achieved **42% margins** vs. **22%** for peers, highlighting the payoff of cost discipline and commercial weighting.
- **Commercial vs. non-commercial:** Margins effectively equalized (27% vs. 29%), as softening rates and growth-phase spending muted the historic commercial advantage.
- **By size:** Profitability diverged for the first time since 2019. **Small (34%) and medium-sized firms (33%) outperformed larger firms (25%**), as leaner cost structures and stronger personal/auto rate increases supported margins, while larger brokerages saw heavier expenses from unvalidated producer spend, infrastructure, and softer commercial pricing.

APPENDIX: Aggregate Income and Expesses of Brokerages in 2024, 2022, 2020, and 2018

	2024	2022	2020	2018
Automobile	20%	15%	33%	24%
Personal Lines	33%	31%	30%	30%
Commercial Lines	37%	38%	28%	37%
Contingent Profit	7%	9%	6%	6%
Group Benefit and Life Insurance	1%	4%	0%	0%
Other Revenue	3%	3%	3%	3%
Total Income	**100%**	**100%**	**100%**	**100%**
Total Personnel Expense	53%	55%	50%	55%
Total Premise Expense	4%	5%	6%	5%
Total Technology Expense	4%	4%	2%	2%
Total Marketing Expense	2%	2%	2%	2%
Total Administrative Expense	9%	6%	8%	8%
Total Expense	**72%**	**72%**	**68%**	**73%**
Operating Income	**28%**	**28%**	**32%**	**27%**

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