

Deals

Newfront, ABD to Merge Into Brokerage With \$1.35 Billion Value

By Katherine Chiglinsky
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- ▶ Newfront investors include Founders Fund, Meritech Capital
 - ▶ Companies were on 'a collision path,' CEO Lipkin says
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Newfront Insurance and ABD Insurance and Financial Services agreed to a merger that will value the combined company at \$1.35 billion.

The entity will be called Newfront and the deal is expected to close by the end of August, the companies said in a statement. Newfront will keep its headquarters in San Francisco and will be led by Newfront's Spike Lipkin as chief executive officer, with ABD's Kurt de Grosz and Brian Hetherington as executive chairman and president respectively.

The insurance industry has been an active dealmaking space, with \$24.6 billion worth of announced transactions in the first five months of the year driven primarily by insurance brokerage mergers and acquisitions, according to a [report](#) from PwC. The deal between Newfront -- founded in 2017 -- and ABD will help the firms use technology to help aid brokers' workflow.

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"As our business grew, it became clear that we were on a collision path with ABD," Lipkin said. "They bring this incredible professional operation in the risk management, retirement services, employee benefits and financial services world. And meanwhile, we've been building a technology platform that streamlines the transaction, provides for a better client experience and provides for a better employee experience."

The deal will create a company with around 600 employees total that write more than \$2 billion in premiums each year.

PE Interest

Newfront, which was valued at more than [\\$500 million](#) in October, has raised more than \$100 million from investors including Founders Fund and Meritech Capital.

Over the years, private equity firms have flocked to the insurance brokerage industry to snap up companies. Aquiline Capital Partners [agreed](#) in June to buy a retirement operation from Aon Plc. Taking a different route than the PE buyout and combining with a venture capital-backed insurance brokerage will give the firm a better capital structure to grow and aid in recruiting efforts, the executives said.

"There's more PE in insurance brokerage than there's ever been and they're not investing in the business and innovating. They're extracting value," de Grosz said. "We think that a better approach is to embrace the capital structure that allows us truly to put colleagues first and clients first and invest in growth and invest in innovation. And when we do that right, we'll be very successful in writing the playbook for the modern insurance broker."